Post Hearing Information Pack of

Zhonggan Communication (Group) Holdings Limited
中贛通信(集團)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

WARNING

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中贛通信
ZHONGGAN COMMUNICATION

Zhonggan Communication (Group) Holdings Limited
中贛通信(集團)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation)**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to the [REDACTED] and reallocation)**
[REDACTED]	**:**	**Not more than HK$[REDACTED] per [REDACTED] and expected to be not less than HK$[REDACTED] per [REDACTED], plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application and subject to refund)**
Nominal value	**:**	**HK$0.1 per Share**
[REDACTED]	**:**	**[REDACTED]**

Sole Sponsor

ZTSC 中泰國際

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No information on any website forms part of this document.

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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 this document in its entirety including the appendices hereto before you decide to invest in the ***[REDACTED]****. There are risks associated with any investment. Some of the particular risks in investing in the* ***[REDACTED]*** *are set out in the section headed "Risk Factors" in this document. You should read that section carefully before you decide to invest in the* ***[REDACTED]****.*

OVERVIEW

Established in 2002, the Group is a reputable integrated service provider and software developer headquartered in Jiangxi Province of the PRC and focuses on the provision of Telecommunications Infrastructure Services and Digitalisation Solution Services in the PRC. Since its founding, the Group has established long and stable business relationships with the key players in the telecommunications industry in the PRC including the Big Three, being the three largest telecommunications network operators in the PRC, and the largest telecommunications tower infrastructure service provider in the world. According to the Ipsos Report, the Group ranked third amongst all telecommunications network infrastructure construction and maintenance services providers in Jiangxi Province in terms of revenue in 2023, with a market share of approximately 3.1%. As at the Latest Practicable Date, the Group has expanded its operations to 25 provinces, municipalities and autonomous regions across the PRC.

PRINCIPAL SERVICES AND BUSINESS MODEL

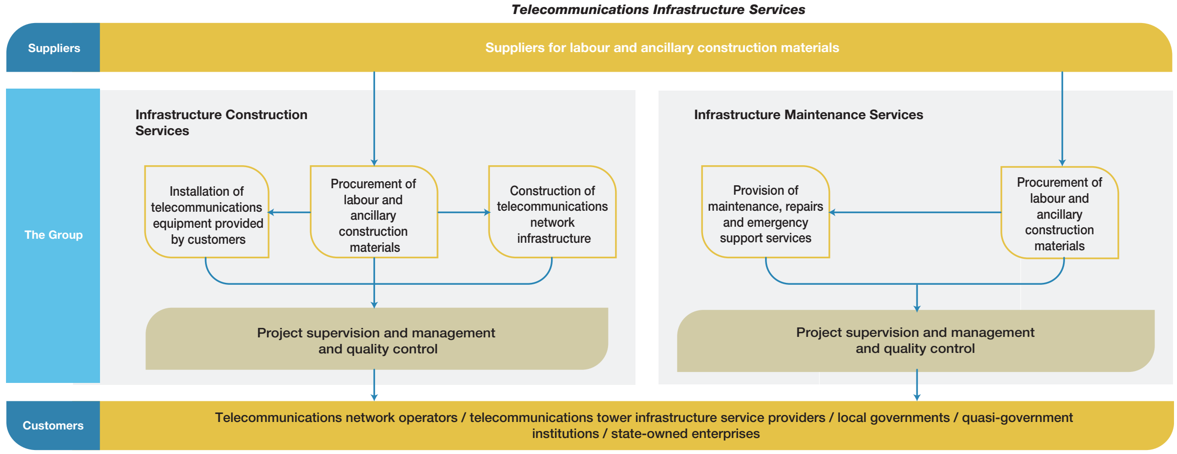
Telecommunications Infrastructure Services

Telecommunications Infrastructure Services consist of Infrastructure Construction Services and Infrastructure Maintenance Services, which are utilised by key market players in the telecommunications industry in the PRC to expand and maintain their telecommunications networks. Such key players include telecommunications network operators, telecommunications tower infrastructure service providers, local governments, quasi-government institutions and state-owned enterprises.

- Infrastructure Construction Services mainly involve the construction, adaptation and installation works of network infrastructure along the entire telecommunications network, such as base stations and auxiliary facilities engineering services, power grid connection services, cable installation services, access network related services and wireless network equipment installation services.
- Infrastructure Maintenance Services mainly involve carrying out routine basic maintenance, repairs and restoration works and emergency trouble shooting to the telecommunications infrastructure located across rural and urban areas in the PRC.

The following chart summarises the Group's principal business activities and business model in relation to its Telecommunications Infrastructure Services business segment:

Telecommunications Infrastructure Services



The Group's customers in Telecommunications Infrastructure Services business segment during the Track Record Period primarily comprised key players in the PRC telecommunications industry such as telecommunications network operators and telecommunications tower infrastructure service providers who would contract telecommunications infrastructure construction and maintenance works to the Group. The Group generally acts as the main contractor as well as the sole contractor for its Telecommunications Infrastructure Services projects, which are typically obtained on a project-by-project basis. During the Track Record Period, the Group's suppliers in relation to its Telecommunications Infrastructure Services business segment mainly consisted of labour suppliers who would supply labour services for completing the on-site labour intensive works and provide ancillary construction materials required, while the Group would remain responsible for the core aspects of the projects such as overall project management and implementation, testing and inspection as well as quality control. The engagement of labour suppliers by the Group does not constitute subcontracting in nature, and the labour suppliers are not considered as the Group's subcontractors, reasons for which are set out in the paragraph headed "Business – Suppliers – Labour suppliers" in this document. Due to the specialised equipment and materials needed for the construction of network infrastructure as well as the need to meet specific technical requirements and ensure compatibility with their existing infrastructure, the Group's customers would generally be responsible for providing the necessary telecommunications equipment.

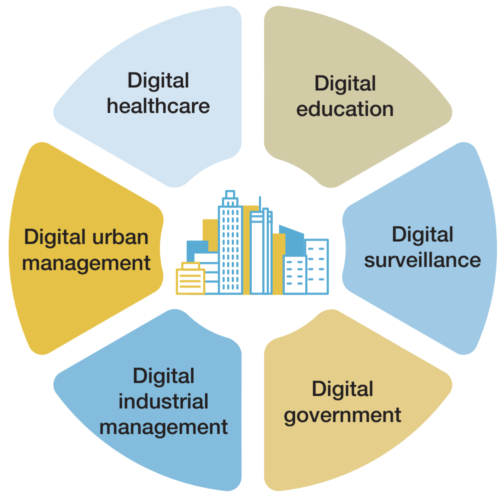
In respect of the Group's pricing policy, it generally adopts a cost-plus pricing model when determining its bid/offer price quoted in the tender documents for its Telecommunications Infrastructure Services projects after taking into account factors such as (i) the nature, scale, complexity and location of the relevant projects as well as (ii) the estimated costs for the procurement of labour services and ancillary construction materials.

Digitalisation Solution Services

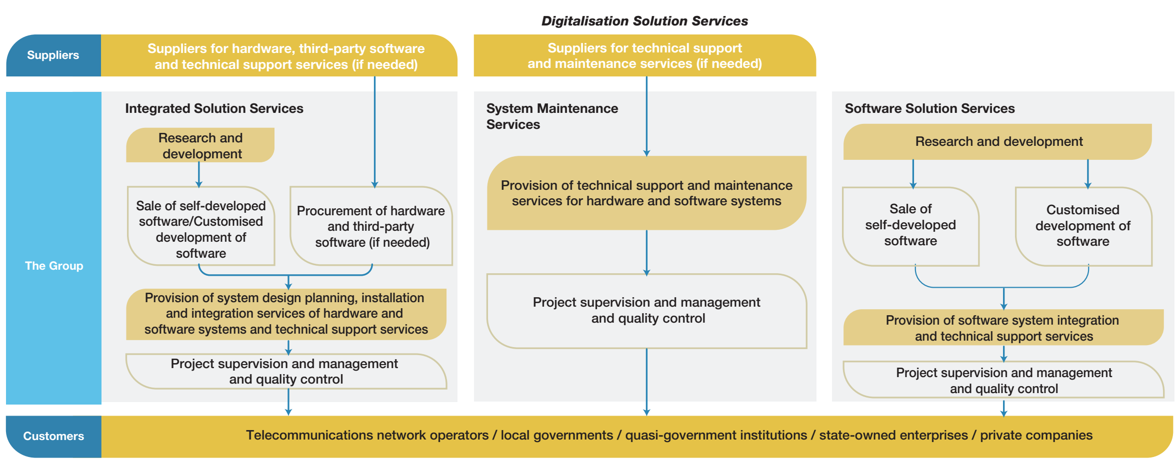
Digitalisation Solution Services consist of Integrated Solution Services, System Maintenance Services and Software Solution Services, and aim to improve the operational efficiency and productivity of its customers through incorporating digital technologies such as IoT, cloud computing, big data, discriminative AI and blockchain to enable the integration of various hardware and software systems under a unified platform.

- Integrated Solution Services generally involve providing turnkey solutions through (i) system design planning; (ii) supply of hardware and software and installation and integration services; and (iii) provision of after-sale services such as technical support services, which primarily involve provision of a comprehensive digitalisation solution that includes all the necessary hardware and software components in a single package. The hardware is sourced from approved third-party suppliers, while the software consists of both self-developed software and software sourced from approved third-party suppliers. The self-developed software includes ready-to-use software and customised software designed specifically for customers, typically developed by the Group's research and development team, sometimes with the assistance of third-party programmers.
- System Maintenance Services mainly included commissioned technical support and maintenance services for the hardware and software systems delivered under its Integrated Solution Services projects. Depending on the specific requirements of the customers, the System Maintenance Services generally include (i) day-to-day system and network maintenance and data back-up support services; (ii) 24/7 technical support and consulting services; (iii) system migration solution services; and (iv) emergency trouble shooting services.
- Software Solution Services focus on (i) sale of self-developed software; and (ii) delivering customised software development services. The Group has the capability to offer its self-developed software and/or deliver customised software development services, sometimes with the assistance of third-party software programmers, which suit the needs of end-users across various sectors, such as digital healthcare, digital government, digital industrial and digital telecommunications construction.

Set out below are the key sectors on which the Group's Digitalisation Solution Services projects focused during the Track Record Period:



The following chart summaries the Group's principal business activities and business model in relation to its Digitalisation Solution Services business segment:



The Group's research and development efforts have largely driven the increase in significance of its Digitalisation Solution Services business segment, particularly for those involving the use of the Group's self-developed software, to the Group's operational results. The technologies developed as a result of the Group's research and development efforts were applied and/or adopted for developing the software systems required by its customers under the Integrated Solution Services projects and Software Solution Services projects. For further details of the Group's research and development efforts, please refer to the paragraphs headed "Business – Research and development" in this document.

The Group's customers in Digitalisation Solution Services mainly included not only telecommunications network operators but also local governments, quasi-government institutions, state-owned enterprises and private companies in the PRC whereas the Group's suppliers for this business segment mainly consisted of hardware and software suppliers who would supply hardware such as surveillance cameras, biometric scanners, computers, data storage and processing system, third-party software and/or technical support and maintenance services.

In respect of the Group's pricing policy for Digitalisation Solution Services, it generally takes into account the estimated prices its customers are willing to pay and other factors such as (i) in relation to the Group' s Integrated Solution Services projects only, the estimated costs for the procurement of hardware and third-party software system, (ii) (if applicable) the relevant research and development expenses incurred, (iii) the scale and timeframe required, (iv) the credit term required by its customers, and (v) the contract prices of the Group's similar projects.

REVENUE AND GROSS PROFIT MARGIN

The following table sets out a breakdown of the Group's total revenue and gross profit margin by business segments during the Track Record Period:

	Year ended 31 December								
	2021			2022			2023		
	Revenue	Percentage of total	Gross profit margin	Revenue	Percentage of total	Gross profit margin	Revenue	Percentage of total	Gross profit margin
	RMB'000			*RMB'000*			*RMB'000*		
Telecommunications Infrastructure Services									
– Infrastructure Construction Services	344,631	72.0%	12.2%	309,276	74.9%	12.0%	463,367	76.1%	14.0%
– Infrastructure Maintenance Services	25,160	5.3%	17.5%	33,224	8.0%	17.7%	37,990	6.2%	24.1%
Sub-total	369,791	77.2%	12.5%	342,501	82.9%	12.5%	501,357	82.3%	14.8%
Digitalisation Solution Services									
– Integrated Solution Services	107,364	22.4%	41.5%	10,148	2.5%	25.4%	41,258	6.7%	31.7%
– System Maintenance Services	1,963	0.4%	15.6%	2,044	0.5%	19.1%	470	0.1%	37.9%
– Software Solution Services	–	–	–	58,399	14.1%	99.0%	66,216	10.9%	93.5%
Sub-total	109,327	22.8%	41.1%	70,591	17.1%	86.1%	107,944	17.7%	69.6%
Total	**479,118**	**100.0%**	**19.0%**	**413,091**	**100.0%**	**25.1%**	**609,301**	**100.0%**	**24.5%**

Revenue

The Group's revenue during the Track Record Period was primarily generated from the Telecommunications Infrastructure Services business segment, in particular, its Infrastructure Construction Services business sub-segment, for which its revenue accounted for approximately 72.0% and 74.9% and 76.1% of the Group's total revenue, respectively, whereas the revenue from the Digitalisation Solution Services business segment accounted for approximately 22.8%, 17.1% and 17.7% of its total revenue, respectively. Overall, the Group's total revenue increased at a CAGR of approximately 12.8% over the period from 2021 to 2023.

The Group's total revenue decreased by approximately RMB66.0 million or 13.8% from the year ended 31 December 2021 to the year ended 31 December 2022 primarily driven by the Group's prioritisation of Software Solution Services projects over Integrated Solution Services projects to align with customers' demand and alleviate the need for substantial capital requirements, thereby enhancing the Group's liquidity. However, such decrease was partially offset by the increase in the number of Software Solution Services projects, resulting in a significant increase in revenue from 2021 to 2022. The decrease in number of Infrastructure Construction Services projects had also to a certain extent contributed to the decrease in the Group's total revenue in 2022. The Group's revenue significantly increased by approximately RMB196.2 million or 47.5% from the year ended 31 December 2022 to the year ended 31 December 2023 primarily driven by (i) increase in revenue recognition for Infrastructure Construction Services business segment due to improvement in number of work orders placed by customers following the lifting of restrictions imposed by the COVID-19 pandemic as well as acceleration in progress of the projects for this business sub-segment; and (ii) increase in revenue for Digitalisation Solution Services business segment as a result of an increase in both the number of Integrated Solution Services projects and Software Solution Services projects.

Gross profit margin

The gross profit margin of the Digitalisation Solution Services business segment was relatively higher than that of the Telecommunications Infrastructure Services business segment during the Track Record Period mainly due to the fact that (i) the cost of sales was generally lower as a result of such projects being less labour intensive and having a relatively shorter project life cycle; and (ii) the projects were generally obtained via single-source procurement and/or by responding to invitation to quote and required a higher degree of customisation by the Group thus leaving more room for the Group to charge at a higher price. On the other hand, the gross profit margin of the Infrastructure Construction Services business sub-segment was generally the lowest during the Track Record Period as the projects were (i) labour intensive and (ii) mainly obtained by way of open tender which would restrict the Group's ability in setting a high tender price due to the competitive nature of open tenders as they would be made available to all of the Group's competitors. The Group's overall gross profit margin for the years ended 31 December 2021, 2022 and 2023 was approximately 19.0%, 25.1% and 24.5%, respectively.

The Group's overall gross profit margin increased from the year ended 31 December 2021 to the year ended 31 December 2022 primarily due to an increase in the gross profit margins of its Digitalisation Solution Services business segment, which reflected the Group's prioritisation of Software Solution Services projects over Integrated Solution Services projects, which resulted in higher gross profit margin due to the minimal costs involved in the projects, as most of the software applied in Software Solution Services was developed by the Group, and the Group recognised and classified the costs associated with research and development for the software as research and development expenses for the relevant years. The Group's overall gross profit margin slightly decreased from the year ended 31 December 2022 to the year ended 31 December 2023 primarily due to the decrease in the gross profit margin of the Digitalisation Solution Services business segment, which is mainly attributable to the increased contribution of the Integrated Solution Services business sub-segment, being a sub-segment within the Digitalisation Solution Services business segment having a relatively lower gross profit margin. For details, please refer to the paragraphs headed "Financial Information – Description of selected items in the consolidated statements of profit or loss – Gross profit and gross profit margin" and the paragraphs headed "Financial Information – Review of historical results of operations" in this document.

PROJECT BACKLOG

The Group's project backlog represents its estimate of the total outstanding contract value of its On-going Projects and Pre-revenue Projects (assuming that all works under the relevant contracts are required to be carried out) as at 31 December 2021, 2022 and 2023 and the Latest Practicable Date. It is important to note that while the contract value stated in the framework agreement of its Telecommunications Infrastructure Services projects represents the maximum value of potential orders from customers, customers are not obligated to place work orders up to the contract value. They have the discretion to reduce the work scope by not placing additional work orders. As such, the contract value used in calculating the Group's project backlog has not taken into account factors that could potentially lead to a reduction in work scope at the customers' discretion, which in turn reducing the final amount of revenue to be recognised. For the years ended 31 December 2021, 2022 and 2023, the conversion rate of contract value into actualised work orders was approximately 66.2%, 68.2% and 72.2%, respectively, for the Telecommunications Infrastructure Services projects, and approximately 100.0%, 100.0% and 98.5%, respectively, for the Digitalisation Solution Services projects. As at the Latest Practicable Date, the closing balance of the Group's backlog was approximately RMB819.4 million, contributed primarily by the Infrastructure Construction Services projects. For details, please refer to the paragraphs headed "Business – Projects – Project backlog" in this document.

NUMBER OF PROJECTS

The services provided by the Group during the Track Record Period were generally offered on a project-by-project basis with no long-term commitments from its customers to further engage the Group for similar related types of work. As at 31 December 2021, 2022 and 2023 and the Latest Practicable Date, the Group had a total of 101, 148, 116 and 130 projects on hand, respectively, comprising primarily the Infrastructure Construction Services projects. For details, please refer to the paragraphs headed "Business – Projects" and "Financial Information – Key factors affecting results of operations – Non-recurring nature of the Group's projects" in this document.

TENDER SUCCESS RATE

During the Track Record Period, the Telecommunications Infrastructure Services projects were generally awarded by way of open tender whereby any eligible service provider could submit a tender to provide the services required by the customer, whereas the Digitalisation Solution Services projects were generally secured by way of single-source procurement or responding to invitation to quote whereby the customers would approach the Group to directly seek terms and obtain a quote, and may negotiate for mutually agreed contract terms. The following table sets out the Group's tender success rate for Telecommunications Infrastructure Services projects during the Track Record Period:

	Year ended 31 December		
	2021	2022	2023
Telecommunications Infrastructure Services			
– Infrastructure Construction Services	18.9%	20.6%	19.9%
– Infrastructure Maintenance Services	44.0%	39.4%	41.2%
Overall tender success rate	20.6%	22.5%	21.3%

Note: The tender success rate for a particular year is calculated based on the number of tenders awarded to the Group (whether awarded in the same year or subsequently) divided by the number of tenders submitted during that year.

FIVE LARGEST CUSTOMERS

The Group's revenue attributable to its five largest customers in each year during the Track Record Period amounted to approximately RMB476.3 million, RMB409.9 million and RMB592.3 million, representing approximately 99.4%, 99.2% and 97.2% of its total revenue, respectively, while the revenue attributable to the largest customer of the Group in each year during the Track Record Period, namely Customer A, accounted for approximately 69.5%, 57.5% and 48.8% of its total revenue, respectively. As at the Latest Practicable Date, the Group's business relationships with each of its five largest customers in each year during the Track Record Period ranged from approximately three to 21 years. For details, please refer to the paragraphs headed "Business – Customers – Five largest customers" and "Business – Customers – Historical concentration in revenue derived from the Group's five largest customers in each year during the Track Record Period" in this document.

FIVE LARGEST SUPPLIERS

For the years ended 31 December 2021, 2022 and 2023, the Group's procurement costs attributable to its five largest suppliers in each year during the Track Record Period accounted for approximately 58.3%, 71.7% and 61.8% of its total purchases, respectively. As at the Latest Practicable Date, the Group's business relationships with each of its five largest suppliers in each year during the Track Record Period ranged from approximately two to nine years. For details, please refer to the paragraphs headed "Business – Suppliers – Five largest suppliers" in this document.

SUMMARY OF FINANCIAL INFORMATION

Consolidated statements of profit or loss and other comprehensive income

The following table sets out a summary of the Group's consolidated statements of profit or loss and other comprehensive income for the Track Record Period, which has been extracted from the Accountants' Report in Appendix I to this document:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	479,118	413,091	609,301
Cost of sales	(387,930)	(309,453)	(459,982)
Gross profit	91,188	103,638	149,319
Other net income	5,850	4,750	5,018
Selling expenses	(5,080)	(3,436)	(3,298)
Administrative expenses	(20,351)	(33,000)	(38,474)
Research and development expenses	(19,208)	(17,680)	(25,873)
Profit from operations	52,399	54,272	86,692
Finance costs	(11,480)	(15,332)	(16,682)
Profit before taxation	40,919	38,940	70,010
Income tax	(4,746)	(3,965)	(1,339)
Profit for the year	36,173	34,975	68,671
Attributable to:			
Equity shareholders of the Company	36,173	34,473	68,592
Non-controlling interests	–	502	79
Profit for the year	36,173	34,975	68,671

Cost of sales

The Group's cost of sales during the Track Record Period primarily comprised labour procurement costs, direct material costs and direct labour costs. The Group's labour procurement costs represented the largest component of the Group's cost of sales and accounted for approximately 78.4%, 91.5% and 89.5% of its total cost of sales for the years ended 31 December 2021, 2022 and 2023, respectively. For details, please refer to the paragraphs headed "Financial Information – Description of selected items in the consolidated statements of profit or loss – Cost of sales" in this document.

Profit for the year

The Group's net profit decreased from the year ended 31 December 2021 to the year ended 31 December 2022 mainly due to (i) the decrease in its total revenue attributable to the Group's prioritisation of Software Solution Services over Integrated Solution Services projects to align with customers' demand and alleviate the need for substantial capital requirements; and (ii) the increase in administrative expenses attributable to increases in credit impairment losses and **[REDACTED]** which had been partially offset by the increases in gross profit and gross profit margin driven by the Group's prioritisation of Software Solution Services projects abovementioned. The Group's net profit increased from the year ended 31 December 2022 to the year ended 31 December 2023 mainly due to increases in its total revenue and total gross profit coupled with the decrease in income tax, which had been partially offset by the increase in administrative expenses primarily attributable to the increase in **[REDACTED]** and entertainment expenses as well as increase in research and development expenses primarily attributable to increase in outsourcing fees for research and development. For details, please refer to the paragraphs headed "Financial Information – Review of historical results of operations" in this document.

Selected items in consolidated statements of financial position

The following table sets out a summary of the Group's consolidated statements of financial position for the Track Record Period, which has been extracted from the Accountants' Report in Appendix I to this document:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	98,354	95,685	93,917
Current assets	798,647	938,830	1,067,437
Current liabilities.	769,397	845,341	1,031,170
Net current assets.	29,250	93,489	36,267
Total assets less current liabilities	127,604	189,174	130,184
Non-current liabilities.	3,068	1,900	1,962
Net assets.	124,536	187,274	128,222
Non-controlling interest	–	2,018	–

Net current assets

The Group's net current assets increased from approximately RMB29.3 million as at 31 December 2021 to approximately RMB93.5 million as at 31 December 2022 mainly due to the increase in current assets as primarily driven by the increases in contract assets, trade receivables and cash and cash equivalent, and partially offset by the increase in current liabilities primarily driven by the increase in short-term bank borrowings during the period to enhance liquidity of the Group. The increase in these current assets and current liabilities was a result of expansion of the Group's business. The Group's net current assets decreased to approximately RMB36.3 million as at 31 December 2023 mainly due to the increase in current liabilities primarily driven by a significant increase of amounts due to shareholders, which outweighed the increase in current assets during the year. The significant increase in the amounts due to shareholders of approximately RMB127.7 million was mainly due to modifications made to the Reorganisation plan. Initially, the Reorganisation plan facilitated the complete transfer of the entire equity interest from Zhonggan Communication to Jiangxi Zhongge, considering Jiangxi Zhongge's status as a newly established entity. In December 2022, waiver agreements were executed, relieving Jiangxi Zhongge of its payment obligations. However, in December 2023, modifications made to the Reorganisation plan necessitated a termination agreement, reinstating Jiangxi Zhongge's responsibility to fulfill payments of approximately RMB127.7 million to Zhonggan Communication's shareholders. In early 2024, the shareholders provided approximately RMB127.7 million as a gift in order to facilitate the transfer payment. As at the Latest Practicable Date, the transfer payment was completed, the amounts due to shareholders of approximately RMB127.7 million would decrease by the same amount, resulting in an increase in the net current assets. For details, please refer to the paragraphs headed "Financial Information – Liquidity and capital resources – Net current assets" in this document.

Net assets

The Group's net assets increased from approximately RMB124.5 million as at 31 December 2021 to approximately RMB187.3 million as at 31 December 2022 primarily attributable to the profit generated for the year ended 31 December 2022 of approximately RMB35.0 million and the increase in other reserve of approximately RMB27.7 million as a result of the capital injections to Zhonggan Communication during the same year. However, there was a significant decrease in the Group's net assets of approximately RMB59.1 million, resulting in a total of approximately RMB128.2 million as at 31 December 2023. The decrease was primarily caused by the modifications made to the Reorganisation plan which outweighed the profit accumulation during the year. According to the modifications made to the Reorganisation plan as mentioned above, the termination agreements revived the payment obligation of Jiangxi Zhongge, thus increasing the amounts due to shareholders by approximately RMB127.7 million and resulting in a temporary reduction of the Group's equity by the same amount as at 31 December 2023. As at the Latest Practicable Date, the provision of approximately RMB127.7 million as a gift by Zhonggan Communication's shareholders was completed, and the Group's equity fully recovered by the same amount. For details of the Reorganisation, please refer to the section headed "History and Reorganisation" in this document.

Selected items in consolidated cash flow statements

The following table sets out a summary of the Group's consolidated cash flow statements for the Track Record Period, which has been extracted from the Accountants' Report in Appendix I to this document:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Net cash (used in)/generated from operating activities	**(12,246)**	**(36,687)**	**48,438**
Net cash used in investing activities	**(7,497)**	**(8,404)**	**(706)**
Net cash generated from/(used in) financing activities	**50,604**	**73,887**	**(34,807)**
Net increase in cash and cash equivalents during the year	30,861	28,796	**[REDACTED]**
Cash and cash equivalents at the beginning of the year	8,989	39,850	68,646
Effect of foreign exchange	–	–	(31)
Cash and cash equivalents at the end of the year	**39,850**	**68,646**	**81,540**

For the years ended 31 December 2021 and 2022, the Group recorded net operating cash outflows of approximately RMB12.2 million and RMB36.7 million, respectively. Such net cash outflows from operating activities was mainly due to the increase in contract assets and trade and other receivables, as a result of the growth of the Group's business. The Group has been improving the operating cash flow to keep up with the business growth. For the year ended 31 December 2023, the Group managed to record a net cash generated from operating activities of approximately RMB48.4 million, mainly due to an increase in profit before tax of approximately RMB31.1 million as a result of improved profitability and a decrease in trade and other receivables of approximately RMB27.3 million as a result of the collection of trade receivables in relation to Infrastructure Construction Services and Digitalisation Solution Services projects. For details, please refer to the paragraphs headed "Financial Information – Liquidity and capital resources – Cash flows" in this document.

Turnover days for trade and bills receivables and contract assets

The following table sets out the Group's turnover days for trade and bills receivables and contract assets during the Track Record Period:

	Year ended 31 December		
	2021	**2022**	**2023**
Turnover days for trade and bills receivables and contract assets (days)	503.6	689.6	545.4

Note: Average balance of trade receivables, bills receivables and contract asset multiplied by number of days in that year divided by total revenue.

During the Track Record Period, the Group experienced a prolonged turnover period for trade and bills receivables and contract assets, primarily due to (i) the lengthy inspection and acceptance and settlement audit processes of its customers for the Infrastructure Construction Services business sub-segment and (ii) extension of payment terms in relation to five Integrated Solution Services projects. The Group recognised revenue and corresponding contract assets for its Infrastructure Construction Services projects based on the work progress. However, the Group was entitled to (i) receive progress payment and issue interim VAT invoice only after the completion of inspection and acceptance procedures carried out by its customers and/or their agents and (ii) receive final payment (less retention money (if any)) and issue final VAT invoice only after completion of settlement audit procedures, which were typically arranged by its customers in stages. Such processes generally take a considerable amount of time after the recognition of revenue and the corresponding contract assets. Consequently, the Group maintained a substantial balance of contract assets, which would be transferred to trade receivables after the completion of the inspection and acceptance and settlement audit. Following the completion of inspection and acceptance and settlement audit, the Group could receive progress payment and final payment, respectively, from customers after a credit period of up to 90 days. This resulted in a significant balance of trade receivables and contract assets on the Group's balance sheet, contributing to the extended turnover period for trade and bills receivables and contract assets. According to the Ipsos Report, it is an industry norm that customers for the Infrastructure Construction Services tend to settle payments after a relatively substantial period of time subsequent to inspection and acceptance and settlement audit processes and issuance of VAT invoices. Additionally, customers in Digitalisation Solution Services tend to settle payments in stages after a relatively substantial period of time subsequent to delivery and acceptance of work, which is consistent with the industry practice as advised by Ipsos. In particular, for some of the Group's large-scale Digitalisation Solution Services projects, the Group may only receive payment after the end users have made the corresponding payment to the Group's customers, and the Group had extended the payment terms in relation to the five Integrated Solution Services projects in view of the temporary liquidity constraints faced by the end users, which include regulatory authorities and public institution, due to the COVID-19 pandemic. With respect to the high level of turnover days for trade and bills receivables and contract assets, the Group has implemented certain measures to mitigate their potential adverse impact and enhance the effectiveness of the Group's credit policy to improve its cash inflow from operating activities and turnover days for trade and bills receivables and contract assets. For details, please refer to the paragraphs headed "Financial Information – Analysis of major components of the consolidated statement of financial position – Trade and bills receivables – Trade and other receivables – Turnover days for trade and bills receivables and contract assets" in this document.

Creditors' turnover days

The following table sets out the Group's creditors' turnover days during the Track Record Period:

	Year ended 31 December		
	2021	2022	2023
Creditors' turnover days (days)	321.7	441.6	317.8

Note: Average balance of bill payables multiplied by number of days in that year and divided by total cost of sales.

During the Track Record Period, the Group experienced a prolonged creditors' turnover days. This was mainly due to the credit terms extended by suppliers, which allowed for a payment window of 30 to 45 days from the date of the Group's receipt of payment from its customers. In addition, the Group's customers had a prolonged inspection and acceptance and settlement audit process and they will settle the Group's trade debt in stages after completion of inspection and acceptance and settlement audit processes which resulted in delayed settlement of the Group's trade debts. The prolonged creditors' turnover days was therefore a direct result of the Group's extended turnover days for trade and bills receivables and contract assets.

Key financial ratios

	Year ended 31 December		
Key financial ratios	**2021**	**2022**	**2023**
Current ratio (times)	1.0	1.1	1.0
Quick ratio (times)	1.0	1.1	1.0
Gearing ratio (times)	2.5	2.0	2.7
Debt to equity ratio (times)	2.2	1.6	2.1
Interest coverage (times)	4.6	3.5	5.2
Return on equity (%)	29.0	18.7	53.5
Return on assets (%)	4.0	3.4	5.9

Note: For details of the calculation basis, please refer to the paragraph headed "Financial Information – Summary of financial information – Key financial ratios" in this document.

The Group recorded gearing ratio of approximately 2.5 times, 2.0 times and 2.7 times as at 31 December 2021, 2022 and 2023, respectively. The relatively high gearing ratio recorded by the Group was mainly due to the relatively low liquidity and balance of cash on hand, as a result of prolonged settlement or trade debts form customers. Therefore, the Group utilised bank borrowings to finance its working capital needs and enhance liquidity. The Group recorded bank borrowings of approximately RMB311.4 million, RMB375.2 million and RMB347.5 million as at 31 December 2021, 2022 and 2023. For details of the Group's indebtedness during the Track Record Period, please refer to the section headed "Financial Information – Indebtedness" in this document.

Indebtedness

As at 31 December 2021, 2022 and 2023 and 30 April 2024, the Group's bank borrowings amounted to approximately RMB311.4 million, RMB375.2 million, RMB347.5 million and RMB339.0 million, respectively, comprising primarily secured bank borrowings used to finance the Group's working capital requirements. Certain of these bank borrowings contained restrictive financial loan covenants that are commonly found in lending arrangements with financial institutions. As confirmed by the Directors, there were breaches of one of these covenants, which requires the gearing ratio to be not more than 65% for a period of three consecutive months or more, and the Group fell short of such requirement. As advised by the PRC Legal Advisers, the relevant bank borrowings may become repayable on demand upon such breach. Accordingly, the Group has obtained a waiver from the relevant bank which confirmed that, despite of such breach, the existing bank borrowings granted will remain valid for the remaining term. Based on the above, the PRC Legal Advisers are of the view that the possibility for the relevant principal bank to demand immediate repayment by the Group is low.

The other restrictive financial loan covenants which may be material to the Group, included, among others, that (i) the current ratio shall not fall under 1.0 for a period of three consecutive months or more; (ii) the ratio of contingent liabilities relative to net assets must not exceed 65% for a period of three consecutive months or more; and (iii) the Group must maintain profitability (i.e. net profit position) for the financial year. As at 31 December 2021, 2022 and 2023 and 30 April 2024, the Group's current ratios were approximately 1.0, 1.1, 1.0 and 1.2 times, respectively. The Group's net profit for the year/period also fulfilled the profitability requirements under the loan covenants during the Track Record Period and up to 30 April 2024. Furthermore, as confirmed by the Directors, the Group did not have any contingent liabilities during the Track Record Period and up to 30 April 2024.

In view of the above breach, the Group has implemented enhanced internal control measures on liquidity management and compliance with loan covenants. For details, please refer to the paragraphs headed "Financial Information – Working Capital" in this document.

COMPETITIVE STRENGTHS

The Directors believe that the Group's success is attributable to the following competitive strengths:

- the Group's well-established operating history as a reputable integrated service provider in Jiangxi Province specialising in the provision of Telecommunications Infrastructure Services in the PRC;
- the Group's diversified revenue base and service offerings and capability in capitalising on emerging trends in the telecommunications industry by offering Digitalisation Solution Services;
- the Group's long established business relationships with its suppliers; and
- the Group's experienced management team.

For details, please refer to paragraph headed "Business – Competitive strengths" in this document.

BUSINESS STRATEGIES

The principal objectives of the Group are to develop its business and achieve sustainable growth through pursuing the following principal business strategies:

- continue to expand the Group's Telecommunications Infrastructure Services in the Western Region of the PRC focusing on Xinjiang Uygur Autonomous Region and Yunnan Province;

- selectively pursue strategic acquisitions to strengthen the Group's Digitalisation Solution Services;
- enhancing the Group's liquidity position and financial capabilities in securing new large-scale Digitalisation Solution Services projects; and
- strengthening the Group's research and development capabilities to enhance its provision of Digitalisation Solution Services.

For details, please refer to the paragraphs headed "Business – Business strategies" in this document.

[REDACTED] STATISTICS

	Based on the minimum [REDACTED] of HK$[REDACTED] per [REDACTED]	**Based on the maximum [REDACTED] of HK$[REDACTED] per [REDACTED]**
[REDACTED] of the Shares *(Note 1)*	HK$**[REDACTED]**	HK$**[REDACTED]**
Unaudited **[REDACTED]** adjusted consolidated net tangible assets of the Group attributable to equity shareholders of the Company per Share *(Notes 2 and 3)* . . .	HK$**[REDACTED]**	HK$**[REDACTED]**

Notes:

1. The calculation of **[REDACTED]** of the Shares is based on **[REDACTED]** Shares in issue immediately after **[REDACTED]** of the **[REDACTED]** and the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised and without taking into account any Shares which may be granted upon the exercise of any **[REDACTED]** under the Share Option Scheme).
2. For details, please refer to the section headed "**[REDACTED]**" in Appendix II to this document.
3. No adjustment has been made to the **[REDACTED]** net tangible assets attributable to equity shareholders of the Company to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2023, including but not limited to the provision of **[REDACTED]** to the Group and the settlement of amounts due to the relevant shareholders on 3 April 2024 arising from termination of waiver agreement with relevant shareholders. Had such provision of funds and termination been completed on 31 December 2023, the **[REDACTED]** adjusted net tangible assets attributable to equity shareholders of the Company would have been increased by **[REDACTED]**, and the **[REDACTED]** consolidated net tangible assets attributable to equity shareholders of the Company per Share would have been increased by approximately **[REDACTED]** (equivalent to **[REDACTED]**).

[REDACTED]

It is estimated that the **[REDACTED]** from the **[REDACTED]** (after deducting **[REDACTED]** and estimated expenses payable by the Group in connection with the **[REDACTED]**), assuming the **[REDACTED]** is not exercised and an **[REDACTED]** of HK$**[REDACTED]** per Share (being the mid-point of the indicative **[REDACTED]** range), will be approximately HK$**[REDACTED]**. The Group currently intends to apply the **[REDACTED]** in the following manner:

- approximately **[REDACTED]** or HK$**[REDACTED]** (equivalent to approximately **[REDACTED]**) will be used to selectively pursue strategic acquisitions and acquire full ownership in companies specialising in the provision of services relating to digitalisation solution services;
- approximately **[REDACTED]** or HK$**[REDACTED]** (equivalent to approximately **[REDACTED]**), together with the Group's internal resources and/or bank borrowings, will be used as payment of the upfront costs required in respect of prospective Integrated Solution Services projects for 2024;
- approximately **[REDACTED]** or HK$**[REDACTED]** (equivalent to approximately **[REDACTED]**), together with the Group's internal resources and/or bank borrowings, will be used to strengthen the Group's research and development capabilities to enhance its provision of Digitalisation Solution Services by purchasing hardware equipment;
- approximately **[REDACTED]** or HK$**[REDACTED]** (equivalent to approximately **[REDACTED]**) will be used as general working capital.

For further details, please refer to the section headed "Future Plans and **[REDACTED]**" in this document.

[REDACTED]

The total **[REDACTED]** in relation to the **[REDACTED]**, primarily consisting fees paid or payable to professional parties and **[REDACTED]** fees and commission, are estimated to be approximately HK$**[REDACTED]** million, which accounted for approximately **[REDACTED]** of the **[REDACTED]** from the **[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the mid-point of the indicative range of the **[REDACTED]**, excluding any discretionary incentive fee which may be paid, and that the **[REDACTED]** will not be exercised). The estimated total **[REDACTED]** consist of (i) **[REDACTED]**-related expenses of approximately HK$**[REDACTED]**, and (ii) **[REDACTED]**-related expenses of approximately HK$**[REDACTED]**, including (a) fees and expenses of the Company's legal advisers and auditors and reporting accountants of approximately HK$**[REDACTED]**; and (b) other fees and expenses of approximately HK$**[REDACTED]**. For the years ended 31 December 2021, 2022 and 2023, the Group incurred **[REDACTED]** of approximately HK$**[REDACTED]**, of which approximately HK$**[REDACTED]** was charged to the Group's consolidated statements of comprehensive income for the years ended 31 December 2021, 2022 and 2023, the remaining amount of approximately HK$**[REDACTED]** was included in other receivables and will be subsequently charged to equity. It is estimated that **[REDACTED]** of approximately HK$**[REDACTED]** will be incurred upon **[REDACTED]**, of which approximately HK$**[REDACTED]** will be charged to the consolidated statement of comprehensive income for the year ending 31 December 2024, and approximately HK$13.4 million will be charged to equity.

CONTROLLING SHAREHOLDERS

Immediately following the **[REDACTED]** of the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), GT & Yangtze, which is owned as to approximately 70.0% by Mr. Liu Haoqiong and as to 30.0% by Ms. Tao Xiulan, will directly own approximately **[REDACTED]** of the issued share capital of the Company. Accordingly, GT & Yangtze, Mr. Liu Haoqiong and Ms. Tao Xiulan are the Controlling Shareholders within the meaning of the Listing Rules.

For further details, please refer to the section headed "Relationship with Controlling Shareholders" in this document.

[REDACTED]

The Group undertook several **[REDACTED]** and entered into a series of agreements with four **[REDACTED]**. Immediately after the **[REDACTED]** of the **[REDACTED]** and the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised and taking no account of any Shares to be issued upon the exercise of any **[REDACTED]** which may be granted under the Share Option Scheme), the **[REDACTED]**, namely, Rui Da BVI, Shu Zhi Cayman, You Po BVI and Ms. Yeung, will be entitled to approximately **[REDACTED]**, **[REDACTED]**, **[REDACTED]** and **[REDACTED]** of the total issued shares of the Company, respectively. Rui Da BVI is a limited liability company incorporated in the BVI and wholly-owned by Rui Da Xin Tao, which in turn is a limited liability partnership established in the PRC and principally engaged in investment management, asset management and project investment. Shu Zhi Cayman is a limited liability company incorporated in the Cayman Islands and wholly-owned by Shu Zhi Shen Kong, which in turn is a limited liability partnership established in the PRC and principally engaged in corporate management and information consultancy services. You Po BVI is a limited liability company incorporated in the BVI and wholly-owned by You Po Investment, which in turn is a limited liability partnership established in the PRC and principally engaged in information consultancy services. Ms. Yeung is a Hong Kong individual and has over 10 years of experience in the consulting industry.

Save for the **[REDACTED]**, each of the **[REDACTED]** did not have any past or present relationships (including, but without limitation, family, trust, business, employment relationships) or any agreements, arrangements, understanding or undertakings with the Company, the subsidiaries, Shareholders, Directors or senior management and any of their respective associates and is an Independent Third Party as at the Latest Practicable Date. For further details of the background of the **[REDACTED]** and the **[REDACTED]**, please refer to the paragraphs headed "History and Reorganisation – **[REDACTED]**" in this document.

DIVIDENDS

The companies comprising the Group did not declare or pay any dividend or distribution during the Track Record Period. As at the Latest Practicable Date, the Group did not have any specific dividend policy nor any pre-determined dividend payout ratio. For further details, please refer to the paragraphs headed "Financial Information – Dividends" in this document.

RISK FACTORS

There are risks associated with any investment. Some of the relatively material risks relating to the Group include, but not limited to, (i) the Group's projects are concentrated in the Central Region of the PRC, in particular Jiangxi Province, and any material change pertaining to Jiangxi Province may materially and adversely affect the Group's business, results of operations and profitability; (ii) the Group had a concentration of customers during the Track Record Period and any decrease or loss of business from the Group's major customers could adversely and substantially affect the Group's operations and financial conditions; (iii) the Group's business operates on a non-recurring and project-by-project basis and failure to obtain new projects could materially affects the Group's business and results of operations; (iv) the Group may not be able to transfer its contract assets to trade receivables and ensure the settlement of its trade receivables in a timely manner or at all due to reasons beyond the Group's control and as a result, the Group's liquidity may be materially and adversely affected; (v) the Group experienced high level of turnover days for trade and bills receivables and contract assets during the Track Record Period, and its cash flows may further deteriorate due to potential mismatches in the time between receipt of payments from the Group's customers and payments to the Group's suppliers, both of which may impact its operating cash flow position; (vi) the Group's high level of indebtedness may persist or increase in the future; (vii) the Group may not be able to adequately protect its intellectually property rights, and the Group may also be exposed to intellectual property infringement or misappropriation claims; and (viii) the Group relies on the performance, quality and the continued supply of labour, ancillary construction materials, hardware and third-party software systems and technical support services etc. by its suppliers, and in particular labour suppliers, to complete certain parts of the Group's projects. A detailed discussion of the risk factors is set out in the section headed "Risk Factors" in this document.

COMPETITIVE LANDSCAPE

The telecommunications infrastructure services industry in the PRC is highly fragmented with approximately 366 companies possessing the First Tier Communications Project Implementation General Contracting Enterprise Qualification*(通信工程施工總承包(一級))in 2023. Similarly, the digitalisation solution services industry is also highly fragmented with top players dominating in different provinces. In spite of the above, according to the Ipsos Report, there exist multiple entry barriers in the telecommunications infrastructure services industry including (i) a strong capital position as a typical project involves significant upfront commitment of resources and capital and as the payment process can be lengthy and delays may occur, (ii) a proven track record as market players are required to demonstrate their competence and experience in the field during the tender process and (iii) licenses that are the prerequisites for a company to participate in the projects of the key market players in the telecommunications infrastructure services industry. For the digitalisation solution services industry, the entry barriers include (i) high cost of investment to enhance technologies, develop innovative solutions, train information technology talents and obtain intellectual property and (ii) talent competition for technical talents to conduct research and development of new solutions that meet users' needs.

IMPACT OF THE COVID-19 PANDEMIC

During the prevalence of the COVID-19 pandemic, some of the tendering processes of the Group's customers for infrastructure construction or maintenance related projects had been terminated or postponed, while for some of the Group's secured projects, the customers had placed fewer work orders or postponed the project completion schedule. For details, please refer to the paragraph headed "Business – Projects – Major Projects – Completed Projects" in this document. Meanwhile, the Group experienced (i) protracted timeframe for the inspection and acceptance and settlement audit procedures by its customers and (ii) delays in settlement of the customers' accounts caused by the prolonged internal procedures of its customers and/or the extension of payment terms in relation to five Integrated Solution Services projects in view of the temporary liquidity constraints experienced by the end users (including regulatory authorities and public institution). For further details, please refer to the paragraphs headed "Business – Projects" and the section headed "Financial Information" in this document. However, due to the government's initiatives and support to counter the economic impact of the COVID-19 pandemic by accelerating the digital transformation of enterprises and city management and the use of automated digital technologies in the post-COVID-19 era, there presented rising demand for 5G technologies which featured high speed, wide bandwidth and stable wireless data connection and network connectivity to facilitate business and social activities, hence leading to the urge for improvement of telecommunications infrastructure across the PRC. Coupled with the various competitive strengthens of the Group as set out in the paragraphs headed "Business – Competitive strengthens" in this document, the Directors considered that the Group had not experienced any material adverse impact on its business operations and financial performance as a result of the outbreak of the COVID-19 pandemic.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, the Group continues to be focusing on its Telecommunications Infrastructure Services and Digitalisation Solution Services business segments, there has been no significant change in the Group's business model or principal services. To the best knowledge of the Directors, the industries in which the Group is operating remained relatively stable after the Track Record Period and up to the Latest Practicable Date. Based on the Group's unaudited management account, the Group recorded an increase in revenue as well as total gross profit for the four months ended 30 April 2024 when compared to the corresponding period in 2023. Such increase in revenue was primarily due to the improvement in both the Infrastructure Construction Services and the Infrastructure Maintenance Services business sub-segments, which also contributed to the improvement in gross profit for both of these business sub-segments over such period.

The Directors are endeavoured to seek new business opportunities for both the Telecommunications Infrastructure Services and Digitalisation Solution Services business segments in order to drive the financial performance of the Group. Subsequent to the Track Record Period and up to the Latest Practicable Date, the Group had submitted 97 new tenders for its Telecommunications Infrastructure Services projects and had been awarded 35 Telecommunications Infrastructure Services projects with an aggregate maximum or estimated contract value of approximately RMB114.9 million, 30 of which are Infrastructure Construction Services projects and five of which are Infrastructure Maintenance Services projects. These newly awarded/secured projects are generally of a smaller scale with a maximum or estimated contract value below RMB25.0 million for Infrastructure Construction Services projects or below RMB3.0 million for Infrastructure Maintenance Services projects. Further, the Group had secured, by way of single-source procurement and/or by responding to invitation to quote, two new Digitalisation Solution Services projects with an aggregate estimated contract value of approximately RMB10.4 million, both of which are Software Solution Services projects. These two newly secured projects are also Major Projects with an estimated contract value of approximately RMB3.2 million and RMB7.2 million, respectively, relating to the digital finance and digital government sectors. As at the Latest Practicable Date, the Group had a total of 130 On-going Projects and Pre-revenue Projects, comprising 122 Telecommunications Infrastructure Services projects and eight Digitalisation Solution Services projects, with a total outstanding project backlog of approximately RMB819.4 million and RMB15.1 million, respectively. Based on an assessment made by the Directors, the Group has given due consideration to the On-going Projects comprising Infrastructure Construction Services, Infrastructure Maintenance Services, Software Solution Services and System Maintenance Services, including an assessment of the appropriate conversion rate associated with these projects (if applicable). In addition, the Directors have considered certain prospective Integrated Solutions Services projects. Having given due consideration to all these relevant factors, the Directors have concluded that the Group's net profit for the year ending 31 December 2024 is expected to be lower than the net profit for the year ended 31 December 2023. It is important to note that this assessment is based solely on the existing and potential projects described above. The Directors have excluded from their overall assessment any other projects that may potentially be secured between the Latest Practicable Date and the end of 2024.

The Directors confirmed that, up to the date of this document, there has been no material adverse change in the financial or trading positions or prospects of the Group since 31 December 2023 (being the date of which the Group's latest audited consolidated financial statements were made up as set out in the Accountants' Report included as Appendix I to this document) and there has been no event since 31 December 2023 which would materially affect the information shown in the Accountants' Report included as Appendix I to this document.

Unless the context otherwise requires, the following expressions have the following meanings in this document.

"Accountants' Report"	the accountants' report of the Group prepared by the reporting accountants as set out in Appendix I to this document
"affiliate(s)"	any other person(s), directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	Accounting and Financial Reporting Council
[REDACTED].	the **[REDACTED]** used in the **[REDACTED]**
"Articles" or "Articles of Association"	the second amended and restated articles of association of the Company conditionally adopted by the Shareholders on 17 June 2024 to take effect upon the **[REDACTED]**, as amended from time to time
"associate(s)".	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Big Three"	the three largest telecommunications network operators in the PRC
"Board" or "Board of Directors" .	the board of Directors
"business day(s)"	any day(s) (other than a Saturday, Sunday or public holiday in Hong Kong) on which licenced banks in Hong Kong are generally open for normal banking business
"BVI".	the British Virgin Islands
[REDACTED].	**[REDACTED]**
[REDACTED].	**[REDACTED]**
[REDACTED].	**[REDACTED]**

"China" or "PRC"	the People's Republic of China, but for the purpose of this document, and for geographical reference only and except where the context requires otherwise, reference in this document to "China" or "PRC" do not apply to Hong Kong, Macau and Taiwan
"Central Region"	for the purpose of this document, refers to Jiangxi Province, Shanxi Province, Anhui Province, Henan Province, Hubei Province and Hunan Province
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Act" or "Cayman Islands Companies Act"	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which took effect from 3 March 2014, as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company"	Zhonggan Communication (Group) Holdings Limited, a company incorporated in the Cayman Islands on 20 April 2022 as an exempted company with limited liability
"Completed Project(s)"	the Group's project(s) where the agreement of which had expired or been terminated, or where all the revenue from which had been fully recognised, as at specified date
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires others, refers to Mr. Liu Haoqiong, Ms. Tao Xiulan and GT & Yangtze
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"COVID-19"	a newly identified coronavirus emerging in 2019, known to cause contagious respiratory illness
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Designated Bank"	any bank in Hong Kong designated by it and approved by HKSCC for money settlement purposes

"Digitalisation Solution Services"	one of the business segments of the Group which comprises Integrated Solution Services, System Maintenance Services and Software Solution Services. For details, please refer to the paragraphs headed "Business – Principal services and business model" in this document
"Director(s)"	the director(s) of the Company
[REDACTED]	**[REDACTED]**
"Eastern Region"	for the purpose of this document, refers to Beijing, Shanghai, Tianjin, Hebei Province, Jiangsu Province, Zhejiang Province, Fujian Province and Shandong Province, Guangdong Province and Hainan Province
"ESG"	environment, society and governance
"Extreme Conditions"	the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
[REDACTED]	**[REDACTED]**
"Gantong Jiangxi"	Gantong Communication (Jiangxi) Co., Ltd.*（贛通通信（江西）有限公司）, a limited liability company established under the laws of the PRC on 28 October 2019 and an indirect wholly-owned subsidiary of the Company
"Gantong Xiamen"	Gantong Communication (Xiamen) Co., Ltd.*（贛通通信（廈門）有限公司）, a limited liability company established under the laws of the PRC on 12 November 2021 and an indirect wholly-owned subsidiary of the Company
"GLP Software"	Jiangxi Gelapu Software Co., Ltd.*（江西歌拉普軟件有限公司）, a limited liability company established under the laws of the PRC on 11 February 2022 and an indirect wholly-owned subsidiary of the Company

"GLP Technology"	Jiangxi Gelapu Technology Co., Ltd.*（江西戈拉普科技有限公司）, a limited liability company established under the laws of the PRC on 30 November 2017 and an indirect wholly-owned subsidiary of the Company
"General Rules of HKSCC"	the General Rules of HKSCC as may be amended or modified from time to time and where the context so permits, shall include the HKSCC Operational Procedures
[REDACTED].	**[REDACTED]**
"Group"	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require) or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the present subsidiaries of the Company and the businesses carried on by such subsidiaries or (as the case may be) their respective predecessors
"GT & Yangtze"	GT & Yangtze Limited, a business company with limited liability incorporated in the BVI on 12 April 2022 and a Controlling Shareholder and is owned as to 70.0% by Mr. Liu Haoqiong and as to 30.0% by Ms. Tao Xiulan, respectively
"HK$", "Hong Kong dollar(s)" . .	Hong Kong dollar(s), the lawful currency of Hong Kong
[REDACTED].	**[REDACTED]**
[REDACTED].	**[REDACTED]**
"HKFRSs"	Hong Kong Financial Reporting Standards, which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and the interpretations issued by the Hong Kong Institute of Certified Public Accountants.
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited

DEFINITIONS

[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"Hong Kong" or "HKSAR" or "HK"	the Hong Kong Special Administrative Region of the PRC
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**

[REDACTED].	**[REDACTED]**
"Huat Huat"	Huat Huat Limited, a business company with limited liability incorporated in the BVI on 12 April 2022 wholly-owned by Mr. Liu Dingli
"Independent Third Party(ies)". .	an individual(s) or a company(ies) who or which, as far as the Directors are aware after having made reasonable enquiries, is/are not connected with (within the meaning of the Listing Rules) the Group, any Director, chief executive or substantial shareholder of the Company, its subsidiaries or any of their respective associates
"Infrastructure Construction Services"	one of the business sub-segments under the Group's Telecommunications Infrastructure Services business segment, the principal services of which mainly involve the construction, adaptation and installation of network infrastructure along the entire telecommunications network. For details, please refer to the paragraphs headed "Business – Principal services and business model" in this document
"Infrastructure Maintenance Services"	one of the business sub-segments under the Group's Telecommunications Infrastructure Services business segment, the principal services of which mainly involve carrying out repairs and restoration works, routine basic maintenance and emergency trouble shooting to customers. For details, please refer to the paragraphs headed "Business – Principal services and business model" in this document
"Integrated Solution Services" . .	one of the business sub-segments under the Group's Digitalisation Solution Services business segment, the principal services of which mainly involve providing turnkey solutions through system design planning, supply, installation and integration services of hardware, software systems and technical support services. For details, please refer to the paragraphs headed "Business – Principal services and business model" in this document

DEFINITIONS

[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"Ipsos"	Ipsos, a market research and consulting company, an Independent Third Party
"Ipsos Report"	the industry report prepared by Ipsos and commissioned by the Company, the content of which is quoted in this document
"Jiangxi Zhongge"	Jiangxi Zhongge Communication Co., Ltd.* (江西中歌通信有限公司), a company established in the PRC with limited liability on 18 July 2022 and an indirect wholly-owned subsidiary of the Company
"Latest Practicable Date"	11 June 2024, being the latest practicable date prior to the printing of this document for ascertaining certain information contained in this document prior to its publication

[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"Main Board"	the stock exchange (excluding the options market) operated by the Stock Exchange which is independent from and operating in parallel with GEM of the Stock Exchange
"Major Project(s)"	the Group's projects with contract value of (i) RMB25.0 million or above in the case of Infrastructure Construction Services projects, or (ii) RMB3.0 million or above in the cases of Infrastructure Maintenance Services projects, Integrated Solution Services projects, System Maintenance Services projects and Software Solution Services projects
"Memorandum" or "Memorandum of Association"	the second amended and restated memorandum of association of the Company adopted by the Shareholders on 17 June 2024 with immediate effect as amended from time to time
"MOFCOM"	the Ministry of Commerce of the PRC(中國商務部)
"Mr. Liu Dingli"	Mr. Liu Dingli, son of Mr. Liu Haoqiong and an executive Director
"Mr. Liu Dingyi"	Mr. Liu Dingyi, son of Mr. Liu Haoqiong, an executive Director and a joint company secretary
"Mr. Liu Haoqiong"	Mr. Liu Haoqiong, an executive Director, chairman of the Board, one of the founders of the Group and a Controlling Shareholder
"Ms. Tao Xiulan"	Ms. Tao Xiulan, spouse of Mr. Liu Haoqiong, one of the founders of the Group and a Controlling Shareholder
"Ms. Yeung"	Ms. Yeung Hoi Ka, one of the **[REDACTED]** and an Independent Third Party
"NDRC"	the National Development and Reform Commission(中華人民共和國國家發展和改革委員會)

"NEEQ"	the National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
"NEEQ Listing Withdrawal"	the withdrawal of quotation and termination of listing and trading of the shares of Zhonggan Communication on NEEQ on 9 August 2019 upon the application submitted by Zhonggan Communication
"Negative List"	the Special Administrative Measures for Foreign Investment Entry (Negative List) (2021 Edition) (外商投資准入特別管理措施(負面清單)(2021年版))
"Nomination Committee"	the nomination committee of the Board
"Northeastern Region"	for the purpose of this document, refers to Liaoning Province, Jilin Province and Heilongjiang Province
"Octuple Hills"	Octuple Hills Limited, a business company with limited liability incorporated in the BVI on 12 April 2022 and is wholly-owned by Mr. Liu Dingyi
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**

DEFINITIONS

[REDACTED]	**[REDACTED]**
"On-going Project(s)"	the Group's project(s) where the agreement of which had not expired or been terminated, and from which revenue had begun to be recognised, as at specified date
"PRC Legal Advisers"	JunZeJun Law Offices, the Company's legal advisers as to PRC law
[REDACTED]	**[REDACTED]**
[REDACTED]	Rui Da BVI, Shu Zhi Cayman, You Po BVI and Ms. Yeung
"Pre-revenue Project(s)"	the Group's project(s) where the agreement of which had not expired or been terminated, but from which no revenue had yet been derived, as at specified date
[REDACTED]	**[REDACTED]**
"QYP Info Tech"	Jian Qingyoupu Information Technology Limited (吉安青優普信息科技有限公司), a limited liability company established in the PRC on 1 January 2023, an associate of the Company and indirectly owned as to 49% by the Company and 51% by an Independent Third Party
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC

"Reorganisation"	the corporate reorganisation of the Group in preparation for the Listing as described in the paragraph headed "History, Reorganisation and Corporate Structure – Corporate Reorganisation" in this document
"Rui Da BVI"	Rui Da Xin Tao Capital Management Centre Limited（睿達信韜資本管理中心有限公司）, a business company with limited liability incorporated in the BVI on 2 June 2022 wholly-owned by Rui Da Xin Tao, one of the **[REDACTED]** and an Independent Third Party
"Rui Da Xin Tao"	Beijing Rui Da Xin Tao Capital Management Centre (Limited Partnership)*（北京睿達信韜資本管理中心（有限合夥））, a limited liability partnership established under the laws of the PRC on 3 August 2015 and an Independent Third Party
"SAFE"	the State Administration of Foreign Exchange of the PRC（中國國家外匯管理局）
"SAIC"	the State Administration for Industry and Commerce of the PRC（中國國家工商行政管理總局）
"SAT"	the State Administration of Taxation of the PRC（中國國家稅務總局）
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary shares of HK$0.1 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Shares
"Share Option Scheme"	the share option scheme conditionally approved and adopted by the Company on 17 June 2024, the principal terms of which are summarised in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix V to this document
"Shu Zhi Cayman"	Shu Zhi Shen Kong Investment Limited（數智深空投資有限公司）, an exempted company with limited liability incorporated in the Cayman Islands on 27 April 2022 wholly-owned by Shu Zhi Shen Kong, one of the **[REDACTED]** and an Independent Third Party

"Shu Zhi Shen Kong"	Hainan Shu Zhi Shen Kong Investment Partnership (Limited Partnership)*（海南數智深空投資合夥企業（有限合夥）), a limited liability partnership established under the laws of the PRC on 14 December 2020 and an Independent Third Party
"Software Solution Services" . . .	one of the business sub-segments under the Group's Digitalisation Solution Services business segment, the principal services of which mainly involve providing turnkey solutions through system design planning and supply and integration and technical support services of software systems. For details, please refer to the paragraphs headed "Business – Principal services and business model" in this document
[REDACTED].	**[REDACTED]**
"Sole Sponsor"	Zhongtai International Capital Limited, a corporation licenced to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor for the **[REDACTED]**
[REDACTED].	**[REDACTED]**
"State Council".	the State Council of the PRC（中華人民共和國國務院）
[REDACTED].	**[REDACTED]**
"Stock Exchange".	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)". . . .	has the meaning ascribed to it under the Listing Rules
"Sunny Hanmy"	Sunny Hanmy Information Service (Shanghai) Co., Ltd.*（陽光恒美信息服務（上海）股份有限公司）, a limited liability company established under the laws of the PRC on 24 April 2012, the shares of which was delisted from the NEEQ (Stock Code: 833027) on 5 September 2018 and an Independent Third Party
"System(s)"	**[REDACTED]**, **[REDACTED]** or any other platform, facility or system established, operated and/or otherwise provided by or through **[REDACTED]**

"System Maintenance Services"	one of the business sub-segments under the Group's Digitalisation Solution Services business segment, the principal services of which mainly involve provision of technical support and maintenance services for the software and hardware systems provided under the Integrated Solution Services. For details, please refer to the paragraphs headed "Business – Principal services and business model" in this document
"Takeovers Code".	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Telecommunications Infrastructure Services"	one of the business segments of the Group which comprises Infrastructure Construction Services and Infrastructure Maintenance Services. For details, please refer to the paragraphs headed "Business – Principal services and business model" in this document
"Track Record Period"	the three years ended 31 December 2021, 2022 and 2023
[REDACTED].	**[REDACTED]**
[REDACTED].	**[REDACTED]**
"United States", "US" or "U.S." .	the United States of America
"U.S. Securities Act".	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"USD" or "US$"	United States dollars, the lawful currency of the United States
"VAT"	value-added tax
"Western Region".	for the purpose of this document, refers to Guizhou Province, Yunnan Province, Inner Mongolia Autonomous Region, Guangxi Zhuang Autonomous Region, Chongqing, Sichuan Province, Tibet Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Hui Autonomous Region and Xinjiang Uygur Autonomous Region
"WPX Info Tech"	Jiangxi Wanpuxing Information Technology Limited (江西灣普興科技有限公司), a limited liability company established in the PRC on 28 February 2023, an associate of the Company and indirectly owned as to 49% by the Company and 51% by an Independent Third Party

"Ying Hua BVI".	Ying Hua Investment Management Limited (英華投資管理有限公司), a business company with limited liability incorporated in the BVI on 27 May 2022 wholly-owned by Ying Hua Investment and an Independent Third Party
"Ying Hua Investment"	Gongqingcheng Ying Hua Investment Management Partnership (Limited Partnership)* (共青城英華投資管理合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on 27 October 2015 and an Independent Third Party
"You Po BVI"	You Po Commerce Limited (酉珀商務有限公司), a business company with limited liability incorporated in the British Virgin Islands on 8 June 2022 wholly-owned by You Po Investment, one of the **[REDACTED]** and an Independent Third Party
"You Po Investment".	Shenzhen You Po Business Consulting Partnership (Limited Partnership)* (深圳酉珀商務諮詢合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on 22 February 2022 and an Independent Third Party
"Yue Da Investment".	Gongqingcheng Yueda Investment Management Partnership (Limited Partnership) (共青城躍達投資管理合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on 14 April 2016 and an Independent Third Party as at the Latest Practicable Date
"Zhonggan BVI"	Zhonggan Communication (BVI) Holding Co., Ltd, a business company with limited liability incorporated in the BVI on 24 May 2022 and is a direct wholly-owned subsidiary of the Company
"Zhonggan Communication" . . .	Zhonggan Communication (Group) Co., Ltd* (中贛通信(集團)有限公司), a company established in the PRC with limited liability on 23 May 2002 and an indirect wholly-owned subsidiary of the Company
"Zhonggan HK"	Zhonggan Communication Hong Kong Limited, a limited liability company incorporated in Hong Kong on 9 June 2022 and is an indirect wholly-owned subsidiary of the Company
"%"	per cent.

Unless expressly stated or otherwise required by the context, all data contained in this document are as at the Latest Practicable Date.

DEFINITIONS

Unless otherwise specified, all references to any shareholding in the Company in this document assume the ***[REDACTED]*** *is not exercised and does not take into account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme.*

If there is any inconsistency between the English translations and the Chinese names of entities or enterprises established in Hong Kong or the PRC (as the case may be) or qualifications awarded in Hong Kong or the PRC (as the case may be), the Chinese names shall prevail. The English translation of names of entities or enterprises or qualifications in Chinese marked with "" is for identification purpose only.*

GLOSSARY OF TECHNICAL TERMS

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

"5G"	the fifth-generation wireless network technology
"10G"	10 Gigabit (i.e. one billion bits), in data communications, it is commonly used for measuring the amount of data that is transferred in one second between two telecommunication points. A network with a data transfer speed of 10G offers significantly faster data transmission compared to previous generations, enabling high-speed connectivity for various applications such as data centres, enterprise networks, and telecommunications systems
"10G-PON"	10 Gigabit Passive Optical Network, a high-speed fibre optic technology that enables the transmission of data, voice, and video at a rate of 10G per second. It provides a cost-effective solution for delivering high-bandwidth services over a passive optical network infrastructure
"AI"	artificial intelligence
"access network"	in the context of a telecommunications network, an access network mainly serves to receive and transmit signals between end-user devices (such as mobile phones, telegraphs, data terminals and computers) and the telecommunications network via the transmission network
"base station"	a fixed transceiver station serving as a central connection point of access network which connects wireless devices to a telecommunications network
"big data"	a combination of structured, semi-structured and unstructured data collected by organisations that is too large and complex to process using traditional methods. The big data can be analysed by machine learning, modelling and other advanced analytics applications to extract meaningful insight to enhance business efficiency
"CAGR"	compound annual growth rate, calculated by subtracting one from the result of dividing the ending value by its beginning value raised to the power of one divided by the period length

GLOSSARY OF TECHNICAL TERMS

"cloud computing"	the on-demand availability of computing resources over the internet for applications, servers (physical servers and virtual servers), data storage, development tools and networking capabilities, hosted at a remote data centre and managed by a cloud services provider. Enterprises only pay for the cloud computing services they use without building their own computing resources
"conduit"	in the context of a telecommunications network, a conduit is a means of transmitting data from one device or network to another. It can be in the form of a physical or virtual connection
"core network"	in the context of a telecommunications network, a core network is the backbone network which interconnects networks by providing paths for the exchange of information between various sub-networks. Typically, a core network comprises and is supported by a collection of high-capacity communications facilities, hardware and devices and software which are maintained by telecommunications network operators. It allows telecommunications services to be provided to end-users and transfers network traffic at high speed
"digitalisation solution services"	digitalisation solution services, in the context of the smart city solution services industry, refer to the turnkey solution from planning, developing, installing, and optimising the hardware and software that integrates physical infrastructure, information infrastructure, social infrastructure, and commercial infrastructure, encompassing an area's population, transportation assets, energy resources, commercial activity, and communications. This involves the application of traditional technologies including digitalisation, ICT to design system that connects different infrastructures for collection of data and operation of infrastructure, as well as the use of advanced technologies such as IoT, cloud computing, and AI for real-time data collection, real-time incident response, rapid analytics and automated decision making

"discriminative AI"	a type of AI model which mainly focuses on data classification and statistical analysis based on given parameters or examples. As opposed to the advanced forms of AI which involve content reconstruction or generation by themselves, discriminative AI is a more basic form of AI which simply analyses the patterns or features in the input data to assign labels to new data. Discriminative AI models are widely adopted in digitalisation solutions and used in tasks such as image recognition, language processing, fraud detection, and recommendation systems
"GB"	the GB standards (中華人民共和國國家標準) which are the PRC national standards issued by the Standardisation Administration of China (中國國家標準化管理委員會). GB stands for Guobiao (國標), which means "national standard". Mandatory standards are prefixed "GB". Recommended standards are prefixed "GB/T" (T stands for tuijian (推薦), which means "recommended"). The GB standards set forth specific requirements for various types of products and services
"GDP"	gross domestic product
"ICT"	information communications technology
"Industrial Internet of Things" or "IIoT"	a subset of IoT that applies specifically to industrial settings focusing on machine-to-machine communication, big data and machine learning, which enables industries and enterprises to improve efficiency and reliability in their operations
"Internet of Things" or "IoT" . . .	Internet of Things, which describes the network of devices that are embedded with sensors, software and other technologies for the purpose of connecting and exchanging data with other devices and systems over the Internet or other communications networks
"ISO"	International Organisation for Standardisation, an international standard development organisation which develops and publishes standardisation in technical and non-technical fields
"last mile"	the final portion of the telecommunications networks that delivers telecommunications signals to the end-users' premises

"module(s)"	in the context of computer software, a module is a set of computer coding composed to deliver specific functionality which forms a component of a software programme. Through the process of software development, software developers can customise a software comprising multiple separate and interchangeable modules or components to cater to specific needs of end-users
"node(s)"	in the context of a telecommunications network, a node is a connection point within a communications network and an endpoint for data transmission or redistribution. Nodes are programmed or engineered to recognise, process and forward data transmissions to other network nodes
"Optical Line Terminal" or "OLT"	a key component in a fibre optic network. It acts as a central hub that manages the communication between the telecommunications service provider's network and the customer's premises. It is responsible for distributing and managing data to multiple devices connected to the network
"telecommunications"	the transmission of information by various types of technologies over wire, radio, optical, or other electromagnetic systems
"telecommunications network" . .	a communication system that constitutes the interconnection of multiple telecommunications systems for end-users to communicate with each other. It consists of a group of nodes interconnected by telecommunications links that are used to exchange information between the nodes, and usually has a three-layer structure comprising the core network, transmission network and access network
"tower"	a high-erected steel structure or a pole for hosting antennas or other equipment
"transmission network"	in the context of a telecommunications network, a transmission network transmits electrical or optical signals, consisting of various nodes and links that transmit, transfer, and receive information, and provides protected signal transmission connection channels to other networks utilising transmission equipment (such as base stations) as well as electrical or optical cables or optical fibers, wireless or other electromagnetic systems as the conduit

"virtual reality" or "VR"	the use of computer modelling and simulation that enables a person to interact with an artificial three-dimensional visual or other sensory environment. VR applications immerse the user in a computer-generated environment that simulates reality through the use of interactive devices (such as goggles, headsets, gloves, or body suits) which send and receive information
"sq.m."	square meter

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements relating to the plans, intentions, beliefs, objectives, expectations and predictions of the Group, which are, by their nature, subject to significant risks and uncertainties and may not represent the Group's overall performance for the periods of time to which such statements relate. These forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which it will operate in the future. Important factors that could cause the actual performance or achievements of the Group to differ materially from those in the forward-looking statements include, without limitation, the following:

- its operations and business prospects;
- the amount and nature of, potential for and future development of its business;
- future developments, trends and conditions, competition for its business activities and future development in the industry and the geographical markets in which the Group operates;
- its strategies, plans and objectives and its various measures to implement or achieve such strategies, plans and objectives;
- its ability to meet the changing needs of its customers;
- its dividend distribution plans or dividend policy;
- its financial condition and performance;
- its needs for capital;
- changes in the laws, rules and regulations in the countries in which the Group operates and the rules, regulations and policies of the relevant government authorities relating to all aspects of its business, including changes in tax policy and environmental regulations;
- general political and economic conditions in Hong Kong, the PRC and overseas;
- the general economic trends and conditions;
- changes in competitive conditions and its ability to compete under these conditions;
- its ability to recruit and retain employees and personnel;
- the general economic trends, market and business conditions in the countries or regions in which the Group operates;
- change or volatility in prices, volumes, operations, margins, overall market trends, risk management, interest rates and exchange rates;
- other statements in this document that are not historical facts;
- realisation of the benefits or its future plans and strategies; and
- other factors beyond its control.

FORWARD-LOOKING STATEMENTS

When used in this document, the words "aim", "anticipate", "believe", "can", "consider", "continue", "could", "estimate", "expect", "forecast", "going forward", "intend", "may", "might", "ought to", "plan", "predict", "project", "propose", "potential", "seek", "shall", "should", "will", "would", "with a view to" and the negatives of these terminologies and similar expressions are intended to identify forward-looking statements. The Group makes these forward-looking statements based on current plans and estimates and they speak only as at the date they were made. These forward-looking statements are not a guarantee of future performance. Actual outcomes could be caused to differ materially from those expressed in any forward-looking statements by, including without limitation, the risk factors set forth under the section headed "Risk Factors" in this document.

Although the Directors believe that the Company's current views as reflected in these forward-looking statements based on currently available information are fair and reasonable and that the Directors confirm that these forward-looking statements are made after due and careful consideration, the Company can give no assurance that these views will prove to be correct. You are strongly cautioned that reliance on any forward-looking statements in this document involves known and unknown risks and uncertainties. The risks and uncertainties in this regard include, but are not limited to, those identified in the section headed "Risk Factors" in this document, many of which are not within the control of the Group. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations by the Company or the Directors that the Group's plans or objectives will be achieved.

Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, the financial condition of the Group may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected.

The information and assumptions contained in the forward-looking statements have not been independently verified by the Company, the Controlling Shareholders, the Sole Sponsor, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, any other party involved in the **[REDACTED]** or their respective directors, officers, employees, advisers or agents and no representation is given as to the accuracy or completeness of such information or assumptions on which the forward-looking statements are made. Additional factors that could cause actual performance or achievements of the Group to differ materially include, but are not limited to, those discussed under the section headed "Risk Factors" and elsewhere in this document.

Subject to the requirements of applicable laws, rules (including the Listing Rules) and regulations, the Company does not have any and undertakes no obligation to update or otherwise revise any forward-looking statements in this document, whether as a result of new information, future events or developments or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances contained in this document might not occur in the way the Company expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

In this document, statements of or reference to the Group's intentions or that of any of the Directors are made as at the date of this document. Any such intentions may change in light of future developments.

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

This document contains certain forward-looking statements regarding plans, objectives, expectations and intentions of the Group which involve risks and uncertainties. The 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.

There are certain risks relating to an investment in the Shares. These risks can be broadly categorised into: (i) risks relating to the Group's business; (ii) risks relating to the industry in which the Group operates; (iii) risks relating to the PRC; (iv) risks relating to the **[REDACTED]** and the Shares; and (v) risks relating to statements made in this document and from other sources.

RISKS RELATING TO THE GROUP'S BUSINESS

The Group's projects are concentrated in the Central Region of the PRC, in particular Jiangxi Province, and any material change pertaining to Jiangxi Province may materially and adversely affect the Group's business, results of operations and profitability

The Group was founded and is based in Jiangxi Province where it ranked third amongst all telecommunications network infrastructure construction and maintenance services providers in terms of revenue in 2023, and as such, during the Track Record Period, the majority of its revenue was derived from its projects located in the Central Region of the PRC. In particular, revenue derived from projects located in Jiangxi Province amounted to approximately RMB300.0 million, RMB188.6 million and RMB312.0 million, accounting for approximately 62.6%, 45.7% and 51.2% of the Group's total revenue for the years ended 31 December 2021, 2022 and 2023, respectively. Given the Group's concentration in revenue from Jiangxi Province, the Group's business is highly subject to the economic conditions and government policies which affect Jiangxi Province as well as the resources and budgets which the Group's customers devote to Jiangxi Province. Accordingly, where there is any material change in respect of any of the above factors, the availability of tenders as well as their size and scale may be affected, which may in turn materially and adversely affect the Group's business, results of operations and profitability.

During the Track Record Period, the Group's tender success rate for Telecommunications Infrastructure Services projects outside of Jiangxi Province was approximately 18.9%, 16.6% and 18.3%, respectively, which was comparatively lower than its tender success rate for projects within Jiangxi Province. Furthermore, almost all of the Group's revenues from its Digitalisation Solution Services projects during the Track Record Period were for projects located in Jiangxi Province. Therefore, it is expected that the Group will continue to derive a substantial portion of its revenue from its projects located in Jiangxi Province where it maintains a competitive edge and possesses broad local knowledge, and there is no guarantee that the Group will be able to reduce its reliance on projects within Jiangxi Province. In the event that the Group is unable to reduce its reliance on projects within Jiangxi Province, the Group will continue to be subject to the various factors mentioned which affect Jiangxi Province.

The Group had a concentration of customers during the Track Record Period, and any decrease or loss of business from the Group's major customers could adversely and substantially affect the Group's operations and financial conditions

During the Track Record Period, the Group's revenue was relatively concentrated and largely attributable to Customer A, Customer B, Customer C and Customer D, which in aggregate amounted to approximately RMB465.1 million, RMB403.5 million and RMB578.4 million, representing approximately 97.1%, 97.7% and 94.9% of its total revenue, respectively.

In light of the above, the Group faces the risks associated with having customer concentration in the future. There is no assurance that any of the Group's major customers will continue to engage us as they do currently, or the revenue generated from the businesses with them can be maintained or increased in the future. If there is a reduction of successful tenders by the Group, or cessation of business relationships between the Group and its major customers for whatever reasons, or if the Group fails to diversify or expand its customer base, the business, financial conditions, results of operations and gross profit of the Group may be materially and adversely affected.

The Group's business operates on a non-recurring and project-by-project basis and failure to obtain new projects could materially affect the Group's business and results of operations

The Group's business operates on a project-by-project basis, as such they are non-recurring in nature. In order for the Group to undertake new projects, the Group must either participate in open tendering to compete for projects made available by potential customers or await customers to approach the Group to solicit its services. During the Track Record Period, the Group's Telecommunications Infrastructure Services projects were generally awarded by way of open tender and the Group's tender success rate was approximately 20.6%, 22.5% and 21.3%, respectively. For Digitalisation Solution Services projects, the Group's customers would typically approach the Group via single-source procurement method and/or by way of invitation to quote to directly solicit its Digitalisation Solution Services as opposed to open tendering process, and the Group had secured 11, 22 and 32 Digitalisation Solution Services projects during the Track Record Period. As such, given the non-recurring nature of the Group's projects, the Directors believe that the Group's future growth and success will depend on the Group's ability to continue to secure projects. The Group cannot assure you that it will be able to secure projects from the Group's existing or potential customers. In the event that there is a significant decrease in the number of projects or scale in terms of contract value of the projects awarded by the Group's customers, the Group's business and results of operations may be materially and adversely affected.

The Group may not be able to transfer its contract assets to trade receivables and ensure the settlement of its trade receivables in a timely manner or at all due to reasons beyond the Group's control and as a result, the Group's liquidity may be materially and adversely affected

The Group's contract assets amounted to approximately RMB513.5 million, RMB539.6 million and RMB726.8 million as at 31 December 2021, 2022 and 2023, respectively, which primarily arose when the Group made efforts or input towards the satisfaction of performance obligation under its Telecommunications Infrastructure Service projects, however, the right to receive payment from its customers is subject to the Group satisfying certain pre-agreed conditions. Upon satisfying such conditions, the contract assets will then be transferred to trade receivables. Based on the contracts between the Group and the relevant customers, in order to receive payment from its customers, the Group must have completed the relevant works required and passed the customer's inspection and acceptance procedures for progress payment and the settlement audit procedures for final payment. Thus, the transfer of the Group's contract assets to trade receivables will depend on the timing of the completion of certain procedures by the customers, which may vary among different customers based on their own internal procedural requirements and other considerations.

In addition, the Group's trade receivables amounted to approximately RMB229.8 million, RMB272.8 million and RMB275.6 million as at 31 December 2021, 2022 and 2023, respectively, which arose when the Group issued invoices to its customers. However, the timing of issuance of invoices will again depend on the completion of internal procedures of the customers, which may vary among different customers based on their own internal procedural requirements and other considerations.

The Group cannot assure you that the Group will be able to transfer its contract assets to trade receivables, and ensure the settlement of its trade receivables, on time or at all. In such circumstances, the Group may be required to recognise significant amount of loss allowances for trade receivables and contract assets, which may have a material adverse effect on the Group's financial condition and results of operations. Furthermore, the Group's liquidity pressure arising from the uncertainty and delay in timing of completion of internal procedures by its customers may intensify if the number of sizeable projects increases in the future. If the Group is unable to transfer its contract assets to trade receivables and ensure the settlement of its trade receivables in a timely manner, the Group's liquidity may be materially and adversely affected.

The Group experienced high level of turnover days for trade and bills receivables and contract assets during the Track Record Period, and its cash flows may further deteriorate due to potential mismatches in the time between receipt of payments from the Group's customers and payments to the Group's suppliers, both of which may impact its operating cash flow position

The Group relies on its suppliers to provide the necessary labour and materials for its projects, and relies upon the cash inflow from its customers to meet the payment obligations towards its suppliers. The Group's cash inflows are dependent upon a variety of factors including certification by its customers or their agents and the prompt settlement of its invoices. If such payment is delayed, the Group may be required to fund the cost of works for a lengthy period of time until the Group's payment application is approved and paid for. As at 31 December 2021, 2022 and 2023, the Group's trade and other payables amounted to approximately RMB443.5 million, RMB437.6 million and RMB677.5 million, respectively. Whereas for the corresponding dates, the Group's current portion of trade and other receivables amounted to approximately RMB219.8 million, RMB305.0 million and RMB244.6 million, while its contract assets amounted to approximately RMB513.5 million, RMB539.6 million and RMB726.8 million.

During the Track Record Period, the Group experienced high level of turnover days for trade and bills receivables and contract assets of approximately 503.6, 689.6 days and 545.3 days, respectively. Such prolonged turnover period was primarily due to (i) the lengthy inspection and acceptance and settlement audit processes of its customers for Infrastructure Construction Services projects; and (ii) extension of payment terms in relation to five Integrated Solution Services projects. The Group recognised revenue and corresponding contract assets for its Infrastructure Construction Services projects based on the work progress. However, the Group was entitled to (i) receive progress payment and issue interim VAT invoice only after the completion of inspection and acceptance procedures carried out by its customers and/or their agents and (ii) receive final payment (less retention money (if any)) and issue final VAT invoice only after completion of settlement audit procedures, which were typically arranged by its customers in stages. Such processes generally take a considerable amount of time after the recognition of revenue and the corresponding contract assets, resulting in a substantial balance of contract assets, which would be transferred to trade receivables after the completion of the inspection and acceptance and settlement audit. Following the completion of inspection and acceptance and settlement audit, the Group could receive progress payment and final payment, respectively, from customers after a credit period of up to 90 days. This resulted in a significant balance of trade receivables and contract assets on the Group's balance sheet, contributing to the extended turnover period for trade and bills receivables and contract assets.

Additionally, customers in Digitalisation Solution Services tend to settle payments in stages after a relatively substantial period of time subsequent to delivery and acceptance of work. In particular, for some of the Group's large-scale Digitalisation Solution Services projects, the Group may only receive payment after the end users have made the corresponding payment to the Group's customers, and the Group had extended the payment terms in relation to the five Integrated Solution Services projects in view of the temporary liquidity constraints faced by the end users, which include regulatory authorities and public institution, due to the COVID-19 pandemic. For details, please refer to the paragraphs headed "Financial Information – Analysis of major components of the consolidated statement of financial position – Trade and bills receivables – Trade and other receivables – Turnover days for trade and bills receivables and contract assets" in this document.

Furthermore, even if the Group's customers settle such payments on time and in full, there can be no assurance that the Group would not experience any significant cash flow mismatch which would affect the Group's operating cash flow position as the Group may be required to provide prepayments pursuant to the arrangement with its suppliers. During the Track Record Period, the Group would in certain circumstances, depending on the scale of works required, provide its labour suppliers with an advance payment of approximately 50% of the contract value as stipulated in the work order within 15 days after the commencement of work. Similarly, the Group's hardware and software suppliers would typically require a portion of the contract value as prepayment with the balance to be paid after the delivery of the materials.

The abovementioned cash flow mismatches and high turnover days for trade and bills receivables and contract assets recorded during the Track Record Period can potentially lead to material adverse impact on the Group's operating cash flow position as well as its ability to fund future capital expenditure. For example, it may negatively affect the Group's liquidity and operating cash flow position, leading to less readily available cash and delays in cash inflow to fund its day-to-day operations, such as meeting payroll, settlement of trade debts suppliers, and payment for other expenses, etc. If the Group undertakes a large number of large-scale projects, it may also pose significant pressure on its cash flow and the Group may record net operating cash outflow. Indeed for the years ended 31 December 2021 and 2022, the Group recorded net cash used in operating activities of approximately RMB12.2 million and RMB36.7 million, respectively, which was mainly attributable to the increase in contract assets and increase in trade and other receivables. Moreover, the Group's ability to fund future capital expenditure may also be negatively impacted. Without adequate operating cash flow, the Group may need to rely on external financing sources, such as borrowing from banks or issuing debt, to fund its future capital expenditure. This can increase the Group's debt burden and associated financing costs, potentially impacting its financial stability and profitability and restricting its long-term growth and competitiveness.

In light of the operating cash outflow position and the high level of turnover days for trade and bills receivables and contract assets, the Group has adopted certain cash flow management measures. For details, please refer to the paragraphs headed "Financial Information – Working capital – Measures to manage the Group's liquidity and improve its working capital position" and "Financial Information – Analysis of major components of the consolidated statement of financial position – Trade and bills receivables – Trade and other receivables" in this document. However, there can be no assurance that the Group's cash flow management measures could function properly or at all. If there is any significant and substantial cash flow mismatch, the Group may need to raise funds by resorting to internal resources and/or external financial resources in order to meet its payment obligations in full and on time.

The Group's high level of indebtedness may persist or increase in the future

During the Track Record Period, the Group relied on bank borrowings to fund its operations which resulted in the Group incurring a substantially high level of indebtedness. As at 31 December 2021, 2022 and 2023, the Group's bank borrowings amounted to approximately RMB311.5 million, RMB375.2 million and RMB347.5 million, respectively, while the Group's cash and cash equivalents merely amounted to RMB39.9 million, RMB68.6 million and RMB81.5 million, respectively. Further, the Group's gearing ratio (which is calculated by dividing the Group's total debts, which included interest-bearing bank overdrafts and bank borrowings, by its total equity) as at 31 December 2021, 2022 and 2023 was approximately 2.5, 2.0 and 2.7 times as at the respective year end. Given the Group's high level of indebtedness, there may be certain ramifications to which the Group is exposed, including:

- increasing the Group's vulnerability to adverse general economic and industry conditions;
- requiring the Group to dedicate a substantial portion of its cash flow from operating activities for payment of its interest and capital on its debt, thereby reducing available cash flow for its business expansion, working capital and other general corporate purposes;
- limiting the Group's flexibility in planning for or reacting to changes in its businesses and the industry in which the Group operates;
- placing the Group at a competitive disadvantage as compared to its competitors that have lower levels of indebtedness;
- limiting the Group's ability to borrow additional funds; and
- increasing the Group's cost of additional financing.

As the Group relies on bank borrowings to fund its operations, the Group may incur additional indebtedness in the future. However, the Group's ability to generate sufficient cash to satisfy its existing and future debt obligations will depend upon its ability to transfer its contract assets to trade receivables, and the timeliness of settlement of its trade receivables by its customers, which are both subject to factors beyond the control of the Group, as well as its future operating performance, which will be affected by, among other things, prevailing economic conditions, PRC governmental regulation, demand for the services offered by the Group and other factors, many of which are beyond the Group's control. Accordingly the Group may not generate sufficient cash flow to pay its anticipated operating expenses and to service its debt, in which case the Group will be forced to adopt alternative strategies that may include actions such as disposing of assets, restructuring or refinancing indebtedness, or seeking equity capital. These strategies may not be implemented on satisfactory terms, or at all, and, even when implemented, may result in an adverse effect on the Group business, results of operations and financial condition.

As at 31 December 2021, 2022 and 2023, the agreements with respect to the Group's borrowings with one of its principal banks which amounted to approximately RMB155.2 million, RMB155.1 million and RMB127.2 million, were subject to loan covenants relating to certain financial ratios based on the borrower's balance sheet that are commonly found in lending arrangements with financial institutions. As advised by the PRC Legal Advisers, the Group was unable to fulfill certain requirements relating to financial ratios during the Track Record Period. According to the terms of the loan agreements, if the Company were to breach such covenants, the relevant bank borrowings may become repayable on demand.

There is also no assurance that the Group will always be able to obtain the required debt financing in the future, or that it would be able to arrange for restructuring or refinancing when its bank borrowings become due. If the Group is unable to obtain or renew its loan facilities, its results of operations and financial condition may be materially and adversely affected.

The Group may not be able to adequately protect its intellectually property rights, and the Group may also be exposed to intellectual property infringement or misappropriation claims

The Group relies primarily on a combination of patent, trademark and copyright registrations as well as confidentiality agreements, to safeguard its intellectual property rights. As at the Latest Practicable Date, the Group has registered 25 trademarks and over 120 software copyrights and obtained 14 patents in the PRC which are or may be material to the Group's business. For further details as to the Group's intellect property rights, please refer to the paragraphs headed Statutory and General Information – "B. Further Information about the Group's business – 2. Intellectual property rights of the Group" in Appendix V to this document.

Despite the Group's measures and efforts, unauthorised parties may attempt to copy or otherwise obtain and use its intellectual property rights, and it is difficult to monitor unauthorised use of such intellectual property rights. In addition, the Group's competitors may independently develop technology and/or know-how similar to the Group's. The measures taken by the Group may not be sufficiently adequate to prevent misappropriation or unauthorised use of the Group's intellectual property rights. Furthermore, there is also no assurance that infringement of the Group's intellectual property rights does not exist now or that it will not occur in the future. The Group may, from time to time, be required to initiate litigation to protect and enforce its intellectual property rights if necessary. Such litigation could incur substantial costs and lead to a diversion of resources, which could negatively affect the operational results, profitability and business prospects of the Group. Even if such litigation is resolved in favour of the Group, it may not be able to successfully enforce the judgment and remedies awarded by the court, and such remedies may not be adequate to compensate the Group for its actual or anticipated related losses, whether tangible or intangible. Any negative publicity and complaints regarding any infringing party's unauthorised uses of the Group's intellectual property rights could confuse, dilute or tarnish, directly or indirectly, the Group's appeal and reputation, which could in turn materially and adversely affect the business of the Group.

In addition, the Group's projects will often involve certain intellectual property rights of its own or of third parties. There is no guarantee that these intellectual property rights do not or will not infringe those of others, as the relevant laws and regulations relating to intellectual property rights are often highly complex. In the event that there are claims against the Group for infringement of intellectual property rights, the Group would need to divert resources to defend such claims, whether such claims are valid or not. The Group may also be required to compensate the claimant for damages suffered as a result of any infringement. There is no assurance that the Group will not face such claims in future. In such event, the business, financial condition and results of operations of the Group may be materially and adversely affected.

The Group relies on the performance, quality and the continued supply of labour, ancillary construction materials, hardware and third-party software systems and technical support services etc. by its suppliers, and in particular labour suppliers, to complete certain parts of the Group's projects

The Group is dependent on the performance, quality and the continued supply of labour, ancillary construction materials, hardware and third-party software and technical support services by its suppliers to maintain the provision of the Group's services to its customers. The Group's five largest suppliers in each year during the Track Record Period accounted for approximately 58.3%, 71.7% and 61.8% of the Group's total purchases in aggregate, and the Group's largest supplier in each year during the Track Record Period accounted for approximately 32.6%, 32.3% and 19.2% of its total purchases. Amongst the Group's five largest suppliers in each year during the Track Record Period, the majority were labour suppliers. In general, the Group does not enter into long term contracts with its labour suppliers, as such, there is no assurance that they will be able to continue to provide stable and quality services to the Group at prices acceptable to the Group, or that it can maintain its relationships with them in the future. If any of the Group's five largest suppliers in each year during the Track Record Period are unable to provide the required services to the Group, and the Group is unable to find alternative suppliers on similar or better quality and pricing terms, the Group's business, results of operations and profitability may be adversely affected.

In addition, when the Group engages labour suppliers to perform certain parts of the works in the Group's projects, the Group is ultimately responsible to its customers for the works completed by its labour suppliers, the Group is exposed to risks in relation to the non-performance, delayed performance, sub-standard performance or non-compliance of its labour suppliers. Although the Group has implemented certain measures to monitor the quality and progress of works completed by its labour suppliers, there is no assurance that the Group is able to monitor the performance of these labour suppliers as efficiently and effectively as with its own employees. The Group may as a result experience issues relating to the quality of work or delay in delivery of its services, and may incur additional costs arising from managing its labour suppliers, remedying defects or delays caused by its labour suppliers. These may materially and adversely affect the Group's profitability, results of operations and reputation, and result in litigation and damages claims. If the Group's labour suppliers violate any laws, rules or regulations, the Group may expose itself to prosecutions by relevant authorities and may become liable to claims for losses and damages, which may also materially and adversely affect the Group's operations and financial position. Any poor performance or non-compliance of the Group's labour suppliers may also affect the Group's reputation, and in turn may materially and adversely affect its business and results of operations.

Failure to properly estimate the risks, time and costs involved in a project or delays in completion may lead to cost overruns and affect the Group's financial conditions and profitability

When determining the offer price for its projects, the Group generally adopts a cost-plus pricing model after taking into account factors including, the nature, scale, complexity and location of the relevant project, as well as the estimated material, labour and equipment cost. As such, whether the Group is able to achieve its target profitability in any project is significantly dependent on its ability to accurately estimate and control these costs. The actual time taken and cost involved in implementing the Group's project may be adversely affected by a number of factors, such as shortage or cost escalation of materials and labour, adverse weather conditions, accidents, and any other unforeseen problems and circumstances. Any of the aforesaid factors may give rise to delays in completion of works or cost overruns, which in turn may result in a lower profit margin or even a loss for a project, thereby materially and adversely affecting the Group's financial condition, profitability or liquidity.

In addition, the Group's projects are typically subject to specific completion schedule requirements and the Group may be liable to pay liquidated damages for delay in completion of works if extension of time is not granted by its customers, or where extension of time is not provided for under the relevant contract, and the Group is required to comply with the agreed schedule regardless of occurrence of any event that is beyond the Group's control. Liquidated damages are typically calculated by the number of days delayed times a pre-determined fixed amount per day. Despite the fact that the Group did not incur any liquidated damages during the Track Record Period, there is no assurance that it will not incur such damages in the future. Any failure to meet the pre-agreed time schedule requirements may result in the Group being liable to pay significant liquidated damages, and if it is unable to hold the relevant labour supplier liable or obtain compensation for the liquidated damages, Group's business, financial condition, results of operations, reputation and prospect may be materially and adversely affected.

The Group's project backlog is not indicative of the Group's future earnings and operation results

The Group's project backlog represents the total outstanding contract value of its On-going Projects and Pre-revenue Projects as at certain year-end dates, which is calculated by aggregating the maximum or estimated contract value of the Group's On-going and Pre-revenue Projects, minus the actual amount of revenue recognised (VAT inclusive) and the remaining contract value of the completed project during the relevant year. For the years ended 31 December 2021, 2022 and 2023, the ending balance of the Group's backlog was approximately RMB584.4 million, RMB1,135.6 million and RMB876.7 million, respectively. For details, please refer to the paragraphs headed "Business – Projects – Project backlog" in this document. Backlog is not a measurement defined by generally accepted accounting principles and may not be indicative of future results of operations. In calculating its backlog, the Group had adopted the contract value as set out in the relevant contracts and assumed that the entire value of works under the contracts would be required to be carried out. However, while the framework agreement in respect of its Telecommunications Infrastructure Services projects entered into between the Group and its customer would typically set out the maximum or estimated contract value, the customer is generally not obligated to place work orders up to the maximum or estimated contract value and may reduce the work scope at its liberty by not placing additional work orders. It is therefore beyond the control of the Group to ascertain the actual amount of contract value, which will be recognised as revenue or contract assets, prior to the completion or termination of a project. Accordingly, the contract value used in calculating the Group's project backlog has not taken into account factors that could potentially lead to a reduction in work scope at the customers' discretion. On the other hand, for certain Telecommunications Infrastructure Services projects, the contract value would not be specified in the relevant agreement, thus, the Group would only be able to assess the estimated contract value when the customer placed the work order(s) with the Group. In addition, the framework agreements or task specific agreements entered into between the Group and its customers may also be terminated or varied under certain circumstances in accordance with the relevant agreements. Accordingly, any termination or modification to any one or more Major Projects may have a substantial and immediate effect on the Group's backlog. Hence, there can be no assurance that the amount estimated in the Group's backlog will be realised in full, in a timely manner, or at all, or even if it is realised, such recognised backlog will result in revenue, and no reliance should be placed on the Group's backlog values during the Track Record Period as indicators of its future performance and operating results.

The Group requires various approvals, licences and permits to operate its business, and the loss of or failure to obtain or renew any or all of these approvals, licences and permits could materially and adversely affect the Group's business

In accordance with the laws and regulations of the PRC, the Group is required to maintain various approvals, licences and permits in order to operate its business. Please refer to the paragraphs headed "Business – Licences and qualifications" for a summary of the Group's approvals, licences or permits and the section headed "Regulatory Overview" in this document for a summary of the licences the Group is required to obtain. The approvals, licences and permits are typically valid for a limited period of time and may be renewed upon being reviewed by the relevant government authorities or organisations. Further, the Group may also be subject to periodic inspections, examinations and inquiries by the relevant government authorities or organisations in respect of its approvals, licenses and permits. The Group cannot guarantee that it will be able to maintain or renew the requisite approvals, licences and permits or to comply with the new requirements for maintaining those approvals, licences and permits, if new laws and regulations are promulgated or the existing laws and regulations are amended. Failure to comply with the relevant laws and regulations, or the loss of or failure to renew its licences and permits or any change in the government policies may prevent the Group from undertaking certain types of project or works, or lead to imposition of penalties on the Group and as a result, the Group's business, results of operations and financial conditions may be adversely affected.

Further, as the approvals, licences and permits are granted, renewed and maintained based upon the Group's satisfactory compliance with, among others, the applicable criteria set by the relevant government 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. The criteria and standards of compliance may, from time to time, be subject to changes without substantial advance notice. Any changes or alterations in the licensing requirements or standards of compliance may require the Group to make necessary corresponding adjustments to meet the new requirements and/or standards, thus requiring the Group to incur extra costs which may affect its profitability and financial results.

The Group's customers or their agents may not certify the works completed by the Group, or acknowledge the completion of the various stages of the projects, or make payment or release the Group's retention money in a timely manner

If stipulated under the relevant contracts, the Group would be entitled to receive progress payments from its customers, after the customers or their agents have inspected and thereafter confirmed that the completed works have passed inspection and acceptance procedures, or acknowledge the completion of the various stages of the projects, by issuing an inspection report. The Group would then issue an interim VAT invoice and the interim payment would become payable by the customer. Subsequently, such portion of the completed works would be presented for settlement audit, and upon the completion of such process, a settlement audit report would be issued. The Group would then be entitled to issue the final VAT invoice and the final payment representing the balance less any retention money (if any) would become payable by the customer. For further details, please refer to the paragraphs headed "Business – Operation flow" in this document. There is no guarantee that the Group's customers or those certifying the Group's works will certify the works completed by the Group, or acknowledge the completion of the various stages of the projects at all or on a timely basis. Further, according to the Ipsos Report, the inspection and acceptance schedule and certification timeframe are largely driven by the customers or their agents and it is not uncommon in the telecommunications industry that there may be a substantial lapse of time between the completion of the works and the issuance of invoice after the inspection and acceptance and settlement audit procedures. Any failure or significant delay in the inspection and certification process may have an adverse effect on the Group's cash flow and financial condition. Even if the Group's customers or their agents certify the works completed or acknowledge the completion of the various stages of the projects, the Group also cannot assure you that it will be able to collect trade receivables from its customers on a timely basis, or that there will not be any future dispute with its customers which may result in significant delay in receivables collection.

In line with industry practice, there is generally a contract term for the Group's customers to secure due performance by the Group by retaining a portion of the money from the interim payment. The retention money for the Group's projects is in general 3% to 10% of the final settlement amount. The retention money may be withheld from each interim payment, or all at once from the final payment to be settled pursuant to the final accounts. The Group's customers will usually release the retention money after the expiry of the defect liability period or after-sales period. There can be no assurance that the Group's customers will not deduct any amount from the retention money as a result of the Group's defects, and even if no defects are found at the end of the defect liability period or after-sales period, there can be no assurance that the Group's customers will release the retention money to the Group in a timely manner. Should the Group's customers fail to release the retention money to the Group in full, or at all, or in a timely manner, the Group's cash flow and financial condition may also be adversely affected.

The Group may face challenges in developing its Digitalisation Solution Services business segment

Leveraging its in-depth knowledge in the telecommunications industry, in 2018, the Group began providing Digitalisation Solution Services to its customers. From the provision of Digitalisation Solution Services, the Group generated revenue of approximately RMB109.3 million, RMB70.6 million and RMB107.9 million, representing approximately 22.8% and 17.1% and 17.7% of its total revenue, and recorded gross profit of approximately RMB44.9 million, RMB60.8 million and RMB75.2 million, respectively, for the years ended 31 December 2021, 2022 and 2023. The Group intends to undertake additional Digitalisation Solution Services projects and to further strengthen its capabilities in respect of its provision of Digitalisation Solution Services through (i) pursuing strategic acquisitions of companies specialising in the provision of digitalisation solution services in Guangdong Province and Anhui Province; (ii) enhancing its liquidity position and financial capabilities in securing new large-scale Digitalisation Solution Services projects; and (iii) strengthening the Group's research and development capabilities. For details, please refer to the paragraphs headed "Business – Business strategies" and the section headed "Future Plans and **[REDACTED]**" in this document. There is no assurance that the Group will be able to successfully manage or grow its Digitalisation Solution Services business segment successfully as anticipated after deploying the Group's management and financial resources and adopting the relevant business strategies. Any failure in maintaining the Group's market position or implementing its plans may materially and adversely affect its business, financial condition and results of operations.

The Group's failure to anticipate and respond to changes in technologies or needs could adversely affect its business and results of operations

The Group's Digitalisation Solution Services business segment is subject to rapidly-changing technological advancements in the telecommunications industry, such as the introduction of new network and telecommunications standards, systems, software and methodologies. For instance, 5G technology is in the process of wider commercialisation and application, and the IoT, will connect every object, appliance, sensor, device, and application to the Internet. Given the rapidly-changing technological landscape, the Group's competitiveness therefore depends on its technical know-how regarding the latest technologies, its ability to keep abreast of and adapt quickly to technological changes and to understand the changing needs, preferences and requirements of its customers. While the Group's business strategies include strengthening its research and development capabilities and acquiring companies specialising in provision of services relating to Digitalisation Solution Services, there is no assurance that the Group will be able to offer new solutions or enhancements to existing technologies that will address the changing needs of its customers in an effective and timely manner.

The Group may also experience unanticipated delays in the development of new solutions and enhancements. If the Group fails to develop any upgraded solutions and offer services and solutions with advanced capabilities and technologies, its competitive position, profitability and business prospects may be adversely affected. Even if the Group is able to upgrade its existing services and solutions through strengthening its research and development capabilities and acquiring companies specialising in digitalisation solution services, there is no assurance that the resulting know-how will achieve widespread market acceptance or meet the customers' expectations as anticipated, and failure to achieve the foregoing may also adversely affect the Group's competitive position, profitability and business prospects.

Further, the Group's competitors may also strengthen their research and development capabilities and provide more advanced services or solutions. If the competition intensifies, the Group's solutions or services may lose their competitiveness and the Group may not be able to achieve the growth as expected and its business, results of operations may be adversely affected.

The Group's past performance may not be indicative of the Group's future performance

The Group operates on a project-by-project basis and its projects during the Track Record Period were generally non-recurring and obtained by way of open tender or via single-source procurement. Accordingly, the level of the Group's revenue is highly dependent upon its ability to secure new projects. When tendering for new projects or negotiating with customers for its offer price, the Group may from time to time adopt different strategies in order to remain competitive, which may in turn affect the Group's revenue, gross profit and gross profit margins. For example, factors such as increased market competition or deteriorating market conditions may lead the Group to lower its offer price and margins in order to obtain the relevant project.

The Group cannot assure you that it will continue to be able to secure new projects at its historical rates or that its projects will be at a comparable scale and margins. Accordingly, the Group's historical growth rate, revenue and gross profit margin may not be indicative of its future performance. During the Track Record Period, the Group's revenue was approximately RMB479.1 million, RMB413.1 million and RMB609.3 million, respectively. During the corresponding periods, its gross profit was approximately RMB91.2 million, RMB103.6 million and RMB149.3 million, while its gross profit margin was approximately 19.0%, 25.1% and 24.5%, respectively.

Aside from the above, the Group's performance is also subject to various other factors, including but not limited to the costs of labour, performance of its labour suppliers and other unforeseen factors such as adverse weather, geological conditions and pandemics, which may delay the completion of the Group's projects. There is also no assurance that the demand for the services provided by the Group will not decrease in the future. An economic downturn in the PRC or changes in government initiatives or policies may cause the Group's customers to reduce their capital expenditures, and thus the level and scale of available projects, which may materially and adversely affect the Group's business, financial condition and results of operations. Investors should not solely rely on the Group's historical financial information as an indication of its future financial and operating performance.

The Group's business is subject to seasonality

The Group's business under its Telecommunications Infrastructure Services and Digitalisation Solution Services business segments are generally subject to seasonality. During the Track Record Period, the Group's major customers for its Telecommunications Infrastructure Services included the Big Three telecommunications network operators in the PRC and the world's largest telecommunications tower infrastructure service provider, who would undertake various telecommunications infrastructure projects in support of the government's initiatives and planning. Based on past experience of the Group, these customers would generally place more work orders with the Group during the second half of the year and require that the actual works to be completed by the end of the year. Similarly, for the Digitalisation Solution Services projects, the Group's major customers would generally approach the Group for new projects, particularly for large-scale projects, during the second half of the year as these customers generally tend to invest more in capital expenditure later in the year, and require the actual works to be completed by the end of the year. Revenue for the Infrastructure Construction Services is recognised when the Group made efforts or input towards the satisfaction of performance obligations, i.e., based on the work progress of the relevant work orders under the projects, while revenue for the Digitalisation Solution Services is recognised based on the work progress and/or when the software solution is delivered to the customers. As a result, the Group would typically record a higher portion of revenue during the second half of the year, which accounted for approximately 47.1%, 62.4% and 58.9% of the total revenue in respect of its Telecommunications Infrastructure Services business segment and approximately 89.6%, 93.3% and 64.9% of the total revenue in respect of its Digitalisation Solution Services business segment during the years ended 31 December 2021, 2022 and 2023, respectively.

Accordingly, various aspects of the Group's business, including sales, working capital and operating cashflows may be exposed to the seasonality factors, and the Group's half year results may not be indicative of its full year results going forward.

The Group's pipeline for Infrastructure Construction Services projects may dry up in the event of the slowdown or completion of the expansion and upgrading of the 5G network infrastructure in the PRC

The Group's business operations and financial performance, particularly for the Infrastructure Construction Services business sub-segment, are substantially premised on the continuous growth and development of the telecommunications infrastructure construction services industry in the PRC. During the years ended 31 December 2021, 2022 and 2023, the Group had secured 64, 77 and 88 additional Infrastructure Construction Services projects, respectively, and the Group had 103 Infrastructure Construction Services projects on hand as at the Latest Practicable Date. The Group's backlog for its Infrastructure Construction Services projects as at 31 December 2021, 2022 and 2023 and the Latest Practicable Date amounted to approximately RMB537.2 million, RMB1,014.3 million, RMB811.0 million and RMB762.9 million, respectively. The Group cannot assurance you that there will be sufficient demand for the Group's Infrastructure Construction Services as in the past in future, which ultimately rely on the development and expansion progress of the telecommunications network infrastructure, including the construction and upgrading of 5G network infrastructure across various provinces and municipalities of the PRC. In the event that the expansion and upgrading of the nationwide 5G network infrastructure slow down, or approach the completion stage, or that the 5G network technology gives way to newer technologies, such as 6G (i.e. the newer generation of wireless network technology), it may inevitably reduce the demand for telecommunications infrastructure construction services in relation to 5G technology, and the number of Infrastructure Construction Services projects to be secured by the Group in its project pipeline may gradually dry up. If the Group is unable to diversity its business focuses, or to capture the new market demand for the construction and upgrading of telecommunications infrastructure in relation to newer generation of wireless network technology by timely responding to the industry trends and market needs, its results of operations, prospects and financial condition may be materially and adversely affected.

The government grants received by the Group were non-recurring in nature

The Group received government grants from the government authorities of Jiangxi Province which amounted to approximately RMB3.3 million, RMB0.9 million and RMB3.2 million for the years ended 31 December 2021, 2022 and 2023, accounting for approximately 55.6%, 18.3% and 64.7% of the Group's other net income during the respective year. These government grants were all non-recurring in nature. Whether or not the Group will receive the same amount of government grants, if at all, in future largely depends on (i) the Group's eligibility for the government grant through an internal verification process conducted by the government authorities; and (ii) the government policies at that time which may aim at granting subsidies to companies in specific industries. The granting of the government grants is therefore determined by the relevant government authorities at their discretion based on the Group's application.

Given the non-recurring nature of the government grants, there is no assurance that the Group will continue to receive the same amount of government grants as in the past in future. In the event that there is a modification of the selection criteria for receiving the grants, or a change in the government policies, the amount of government grants the Group will receive may decrease, if at all. Any loss or reduction in government grants could adversely affect the Group's financial result and financial position.

Increase in wages and shortage of labour may affect the Group's ability to implement its projects and its performance

Generally, the provision of Telecommunications Infrastructure Services is labour intensive and for any given project a large number of workers with different skills and in particular qualified technical personnel may be required. Accordingly, the Group's business is dependent upon the continued supply of labour and is susceptible to labour shortage. If there is a significant increase in the costs of labour, the Group's profitability may be materially affected. According to the Ipsos Report, the average annual wage of workers in the telecommunications infrastructure services industry in the PRC grew from RMB65,063.9 in 2019 to RMB81,478.3 in 2023 at a CAGR of approximately 5.8%, which is expected to further increase from RMB85,767.7 in 2024 to RMB108,577.5 in 2028 at a CAGR of approximately 6.1% due to the continuous demand for skilled and experienced workers for construction of telecommunications infrastructure. On the other hand, if the Group or its labour suppliers fail to retain the existing labour and/or recruit sufficient labour in a timely manner to cope with the Group's existing or future projects, the Group may not be able to timely complete its projects, and this may result in liquidated damages and/or financial loss. There is no assurance that the supply of labour, especially experienced and skilled labour, will be sufficient going forward.

The Group's success significantly depends on the key management of the Group and its ability to attract and retain technical and management staff, in particular, for the Group's licences and/or registrations maintained with the relevant government authorities

The Group's success and growth is, to a significant extent, attributable to the expertise and experience of the Group's management team, in particular Mr. Liu Haoqiong, a co-founder of the Group and also an executive Director and the chairman of the Board, who has more than 20 years of experience in the Telecommunications Infrastructure Services industry. The remainder of the Group's management team comprises Mr. Peng Shengqian, Ms. Xie Xiaolan, Mr. Liu Dingli, Mr. Liu Dingyi, Mr. Zhou Zhiqiang, Mr. Tseung Yat Ming and the Group's senior management, each of whom is well experienced and possesses diverse expertise and skills that cover areas such as management, finance, business development and sales and marketing. Please refer to the section headed "Directors and Senior Management" in this document for further information of the Group's management team. If any of the executive Directors or members of the senior management cease to be involved in the management of the Group and the Group is unable to find suitable replacements in a timely manner, it may materially and adversely impact upon the business, results of operations and profitability of the Group.

In addition, the Group is required to obtain certain licences and registrations for its business operations, and to maintain such licences and registrations, the Group must comply with the relevant requirements in regards to the number of and the qualifications and experiences of technical personnel as set out in the relevant ordinances. For further details, please refer to the section headed "Regulatory Overview" in this document. Departure or disqualification of these technical personnel may result in suspension of the Group's registrations if no replacement is identified and applied for. In the event that the technical personnel depart the Group and the Group is unable to fulfill the requirements of the relevant laws and regulations in a timely manner, its ability to obtain new projects may be impaired, thereby adversely affecting its business operations and financial performance.

Failure to maintain safe construction sites and/or implement safety management measures may lead to property damage, personal injuries or fatal accidents. The Group's financial performance and business prospect may be adversely affected by such injury claims and litigations

Although the Group has established an occupational health and safety related internal controls in order to provide a safe and healthy working environment to its employees and the employees of its labour suppliers and to comply with the relevant laws and regulations, the Group cannot assure you that its employees and the employees of its labour suppliers will strictly implement all of the Group's safety management measures and procedures during the execution of the Group's projects, or that its measures are effective at all. In the event that the Group fails to maintain safe work sites and/or implement safety management measures resulting in the occurrence of serious personal injuries or fatal accidents, the reputation of the Group may be adversely affected, and may result in the suspension or non-renewal of the Group's relevant licences. The Group may also be prosecuted by the relevant government authorities and subject to extensive fines and penalties.

The Group's employees who suffer from bodily injuries or death as a result of accidents occurred and diseases contracted during the course of their employment may also claim against the Group for damages and/or compensation under the Administrative Regulations on Work Injury Insurance (《工傷保險條例》). During the Track Record Period and up to the Latest Practicable Date, there was one fatal accident involving an employee of the Group. For details, please refer to the paragraphs headed "Business – Employees – Work safety" in this document. Further, the Group may also face claims from third parties, who suffer personal injuries at premises where the Group provides its services, which may or may not be meritorious. Regardless of the merits of such claims, the Group may need to divert management resources and incur costs to handle these claims, which may affect its corporate image and reputation especially if they become public, and may adversely affect its revenue, results of operations and financial conditions. Additionally, the outcome of any claim is subject to the relevant parties' negotiation or the decision of the court or the relevant arbitration authorities, and the results may be unfavourable to the Group. In such case, the Group may be required to pay damages, compensations or fines and the Group's financial conditions may be adversely affected.

Legal and arbitration proceedings may arise and affect the Group's business, operations and financial results

The Group may be subject to claims in respect of various matters from its customers, suppliers, workers and other parties concerned with the Group's projects from time to time. Such claims may include claims for compensation for late completion of works and delivery of substandard works or, claims in respect of personal injuries and labour compensation in relation to the works, for which the Group may have to incur costs to defend itself in legal and arbitration proceedings. If the Group is not successful in defending itself in any proceedings, it may be liable to pay damages. Such payments may be significant, and if fall outside the scope and/or limit of the Group's insurance coverage or monies retained from its labour suppliers, the Group's business operations and financial position may be adversely affected.

Legal proceedings can be time-consuming, expensive, and may divert the Group's management's attention away from the operation of the Group's business. Any claims or legal proceedings to which the Group may become a party in the future may have a material and adverse impact on the Group's business. The Group also need to divert resources and incur extra costs to handle the aforementioned outstanding and potential claims, which could affect the Group's corporate image and reputation in the telecommunications industry if they were published by the press. If the aforementioned claims were successfully made against the Group, it would result in legal costs and damages to be paid to the claimants, which in turn could materially and adversely affect the Group's revenue, results of operations and financial position.

The Group is exposed to claims arising from latent defects that may be caused by itself or its suppliers in the past, the discovery of which may have material negative impact on the Group's reputation, business and results of operations

The Group may face claims arising from latent defects that might be existing but not yet discovered or developed. Such possible latent defects may be caused by the Group itself or its suppliers in the past. If there are claims against the Group for such latent defects when they are discovered, the Group may be held primarily liable even if the defects are caused by its suppliers without the Group's fault. Further, due to the passage of time, the Group may be unable to locate the relevant suppliers to hold them accountable, or to procure them to rectify the defect (if it is rectifiable at all), or obtain compensation for any loss or damages caused by such defects. Latent defects may include use of materials not meeting the specifications as stipulated in the relevant contracts, which may not be discovered despite the inspection and acceptance by the customers of the works prior to completion, and remain undiscovered for years after the completion of the relevant project.

In the event that there are any significant claims against the Group by its customers or other party for any latent defects, the Group's results of operations and financial position may be materially and adversely affected. Even if such latent defects do not involve any non-compliance with laws or regulations, or breach of any contractual obligations on the Group's part, it may be required to rectify such defects or take preventive or remedial measures, such as conducting reviews, tests or examinations on the works in the past, because of the negative publicity or to prevent the reputation of the Group from being negatively affected. As a result, the Group's operation, business and results of operations may be materially and adversely affected.

The Group's insurance coverage may not be sufficient to cover all losses or potential claims which would affect the Group's business, financial condition and results of operations

During the Track Record Period, the Group had purchased and maintained insurance covering its property, motor vehicle and workers compensation. For details, please refer to the paragraphs headed "Business – Insurance" in this document. It cannot be guaranteed that the insurance policies taken out by the Group are sufficient to cover all potential risks and losses. Certain types of risks, such as the risks in relation to business interruption or litigation, the collectability of the Group's trade and other receivables, and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. As a result, the Group may have to pay out of its own resources for any uninsured financial or other losses, damages and liabilities, litigation or business disruption. If the Group's business operations are disrupted or interrupted for a substantial period of time, it could incur costs and losses that may materially and adversely affect its business, financial conditions and results of operations.

Any failure to maintain an effective quality control system could have a material adverse effect on the Group's business and operations

With its operating history tracing to 2002, the Group believes that the reputation and brand name that it has built play a significant role in enabling itself to attract customers and secure projects. The promotion and enhancement of the Group's reputation and brand name depend largely on its ability to provide reliable, quality and timely services to its customers. If the Group fails to do so, or its customers no longer perceive the Group's services to be of high quality, the Group's brand name and reputation will be adversely affected, which will in turn materially and adversely affect the Group's business, financial conditions and results of operations.

To uphold its ability in delivering quality services, the Group needs to continue to maintain an effective quality control system for project implementation, which will involve timely update of the system and provision of training to its employees in accordance to changing business needs. Any failure or deterioration of the Group's quality control system could result in defects in its works, which in turn may jeopardise its reputation, reduce demand for its services, or even subject it to contractual liabilities and other claims. Any such claims, regardless of whether they are ultimately valid, could cause the Group to incur significant costs, harm its reputation and/or result in significant disruption to its operations. Furthermore, if any of such claims ultimately prove to be valid, the Group could be required to pay substantial monetary damages or penalties, which could have a material adverse impact on its business, financial conditions and results of operations.

Breaches, hacking, failures, or disruptions of the information technology system of the Group could interrupt its business operations and harm its business and results of operations

The Group relies on its information technology systems to operate and manage its business and to process, maintain, and safeguard information, including information belonging to the Group, its customers and employees. The computer systems may fail of their own accord, 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), catastrophic events such as natural disasters and other events beyond the Group's control (such as acts of war or terrorism). Moreover, hacking and data theft techniques are continuously evolving, and the anti-virus systems and security measures adopted by the Group may not be able to adjust to these changes in a timely manner. Although the Group is continuously working to maintain secure and reliable systems, there is no assurance that the Group's efforts will be effective and adequate. If the Group's information technology systems are compromised, degraded, damaged, or breached, or otherwise cease to function properly, the Group could suffer interruptions in operations or unintentionally allow misappropriation of proprietary or confidential information, which could damage its reputation and result in significant expenses and legal claims. Similarly, information technology system breaches, or failures of the systems of the Group's customers and suppliers may also result in similar consequences. Any of these events could materially and adversely affect the Group's reputation, business and results of operations.

RISKS RELATING TO THE INDUSTRY IN WHICH THE GROUP OPERATES

The Group's performance depends on prevailing market conditions and trends in the Telecommunications Infrastructure Services industry, and Digitalisation Solution Services industry and in the overall state of economy in the PRC

All of the Group's operations are based in, and all of the Group's revenue was derived from the PRC during the Track Record Period, and the Directors expect the Group's business will continue to be based in the PRC. Accordingly, the Group's future performance depends on the prevailing market conditions and trends in the telecommunications industry in the PRC. The future growth and level of profitability is likely to depend primarily upon the continued availability of large scale projects, which will be determined by the interplay of various factors. These factors include, in particular, the PRC government's policies and initiatives, the spending budgets and patterns of the Group's customers, and the general conditions and prospects of the PRC economy. If the government authorities adopt regulations that place additional restrictions or burdens on the telecommunications industry, the Group's customers may be more conservative in their spending budgets, and the demand for Telecommunications Infrastructure Services and Digitalisation Solution Services in the PRC may deteriorate, which in turn materially and adversely affect the Group's operations and profitability. In addition, the Group's performance and financial condition also depend on the state of the economy in the PRC. If there is a downturn in the economy of the PRC, the Group's results of operations and financial position may be adversely affected. In addition to economic factors, social unrest or civil movements may also affect the state of the economy in the PRC, and in such cases, the Group's operations and financial position may also be adversely affected.

An occurrence of a natural disaster, widespread health epidemic or other outbreaks, such as COVID-19, could have a material adverse effect on the Group's business, financial condition and results of operations

The Group's business could be materially and adversely affected by natural disasters or the outbreak of a widespread health epidemic, such as swine flu, avian influenza, severe acute respiratory syndrome (SARS) or COVID-19. The occurrence of a natural disaster or a prolonged outbreak of an epidemic illness, or other adverse public health developments in the PRC could materially disrupt the Group's business and operations. In particular, the outbreak of COVID-19 which was first reported in late 2019 and spread within the PRC and globally, has caused significant disruption in the economic activities. As the Group's operations, customers and suppliers are located in the PRC, the outbreak of COVID-19 in the PRC may affect the telecommunications industry, and cause temporary suspension of projects and shortage of labour, materials and equipment and other services, which would severely disrupt the Group's operations and have a material adverse effect on the Group's business, financial condition and results of operations. The Group's operations could also be disrupted if any of its employees or employees of the Group's labour suppliers were suspected of contacting, or contacted an epidemic disease, since this could require the Group and its labour suppliers to quarantine some, or all of these employees, and disinfect the works sites and facilities used for the Group's operations. In addition, the Group's revenue and profitability could also be reduced to the extent if any natural disaster, health epidemic or other virus outbreak harms the overall economy in the PRC. These adverse impacts, if materialise and persist for a substantial period, may significantly and adversely affect the Group's business operation and financial performance.

Competition in the Telecommunications Infrastructure Services industry and Digitalisation Solution Services industry may put downward pricing pressures on the Group which could materially and adversely affecting the Group's profitability

The Group holds various licences that enable it to tender for, and carry out different types of projects, and it competes directly with other service providers actively operating in the PRC that possess the same licences and offer similar services as the Group. Some of the Group's competitors may have stronger brand names, bigger capital base, longer operating histories, longer and more established relationship with their customers, and better marketing and other resources. Furthermore, due to the open nature of the markets in which the Group operates, any new participants may enter the industry if they attain the required technical skills and experience, and are granted the requisite licences by the relevant regulatory bodies, and thereby intensifies the competition. These competitors may be able to reduce the Group's market share by adopting more aggressive pricing policies than the Group, or by providing services that can gain wider market acceptance than what the Group can offer. Existing and potential competitors may also develop relationships with the Group's customers, and competition from these competitors could significantly harm the Group's ability to secure projects. Thus, if the Group fails to compete effectively, or maintain or improve its competitiveness in the market, its business, financial condition and results of operations will be adversely affected.

RISKS RELATING TO THE PRC

The Group may be adversely affected by changes in political, social and economic policies, as well as governmental policies, in the PRC

During the Track Record Period, all of the Group's revenue was derived from the provision of services to the Group's customers in the PRC, and substantially all of the Group's assets and business operations are also currently located in the PRC. Accordingly, the Group's business, financial condition and results of operations are subject to political, economic and legal developments in the PRC to a significant degree. The PRC's economy differs from the economies of most developed countries in many aspects, including the extent of government involvement, growth rate, control of foreign exchange, allocation of resources and capital investment. Any significant changes in the PRC's political, economic and governmental policies and measures could have a material adverse effect on the PRC's overall economic growth, and the Group cannot assure you that such changes will not occur. Where such changes have a material adverse effect on the PRC's overall economic growth, it may impact the industry in which the Group operates, which in turn may diminish the demand for its services.

The Group may be deemed a PRC resident enterprise under the EIT Law and be subject to PRC taxation on the Group's worldwide income

The Company is a holding company incorporated under the laws of the Cayman Islands, and under the EIT Law and its implementation rules, if an enterprise incorporated outside the PRC has its "de facto management bodies" located within the PRC, such enterprise may be recognised as a PRC tax resident enterprise, and be subject to the unified income tax at a rate of 25% on its worldwide income. The implementation rules to the EIT Law define the term "de facto management body" as a body that has a material and overall management control over the business, personnel, accounts and properties of the enterprise. In April 2009, SAT issued the Circular on Issues Concerning the Identification of Chinese – Controlled Overseas Registered Enterprises as Resident Enterprises in Accordance with the Actual Standards of Organisational Management, which was partially revised by SAT in December 2017, setting out certain criteria for specifying what constitutes a "de facto management body" in respect of enterprises that are established offshore by PRC enterprises. However, no such criteria are provided in these, or other publications of SAT in respect of enterprises established offshore by private individuals or foreign enterprises like the Group, it is therefore unclear whether the Group will be deemed to be a "PRC tax resident enterprise" for the purposes of the EIT Law even though substantially all of the Group's operations and management are currently based in the PRC. The Group is currently not treated as a PRC tax resident enterprise by the relevant tax authorities, nevertheless, there can be no assurance that the Group will not be treated as a PRC tax resident enterprise under the EIT Law in the future, and be subject to the unified income tax. In the event that the Group is subject to the unified income tax, its income tax expenses may increase significantly and have a material adverse effect on its net profit and profit margins.

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

During the Track Record Period, the Group enjoyed a number of preferential tax treatments. Zhonggan Communication qualified as a High and New Technology Enterprise in 2015, and the qualification was subsequently renewed in 2018 and 2021, and the valid period was extended to 2024. GLP Technology qualified as a High and New Technology Enterprise in 2020, and the qualification was subsequently renewed in 2023, and the valid period was extended to 2026. Furthermore, GLP Software qualified as a "Double-soft Enterprise" in 2023, which is valid for five years until 2028. As advised by the PRC Legal Advisers, pursuant to the PRC EIT Laws, as a High and New Technology Enterprise, each of Zhonggan Communication and GLP Technology enjoys a preferential corporate income tax treatment at a reduced rate of 15%, and as a Double-soft Enterprise, GLP Software enjoys full exemption from and 50% reduction of statutory corporate income tax for the first two years and the subsequent three years respectively. For further details on the tax regime the Group was subject to, please refer to the paragraphs headed "Regulatory Overview – Regulations relating to tax" in this document. It is the relevant PRC government authorities' discretion to decide when, under what conditions, or whether the preferential tax treatment should be granted to the Group. There is no assurance that the laws or regulations, or governmental policies in relation to the Group's preferential tax treatments will not change, or that its current eligibility to enjoy preferential tax treatment will not be cancelled. If there is any reduction, suspension, discontinuation or cancellation of the Group's preferential tax treatments, which may adversely affect the recoverability of the Group's tax recoverable, its business, financial condition and profitability would be materially and adversely affected.

The Company is a holding company and the Group's ability to pay dividends is primarily dependent upon the earnings of, and distributions by, the Company's subsidiaries in the PRC

The Company is a holding company incorporated under the laws of the Cayman Islands with limited liability. The majority of the Group's business operations are conducted through the Company's subsidiaries in the PRC and hence, the Group's turnover and profit are derived from these subsidiaries, as such the Group's ability to pay dividends to the Shareholders is primarily dependent upon the earnings of the Company's subsidiaries in the PRC and their distribution of funds to the Group, primarily in the form of dividends. The ability of the Company's subsidiaries in the PRC to make distributions to the Group depends upon, amongst others, their distributable earnings. Under the PRC law, payment of dividends is only permitted out of accumulated profits according to PRC accounting standards and regulations, and the Company's subsidiaries in the PRC are also required to set aside part of their after-tax profits to fund certain reserve funds that are not distributable as cash dividends. Other possible factors such as financial condition, restrictions on distributions contained in the Company's PRC subsidiaries' articles of associations, restrictions contained in debt instruments, withholding tax and other arrangements will also affect the ability of the Company's subsidiaries in the PRC to make distributions to the Group. These restrictions could reduce the amount of distributions that the Group receives from the Company's subsidiaries in the PRC, which in turn would restrict its ability to pay dividends on the Shares. The amounts of distributions that any of the subsidiaries of the Company has declared and made in the past are not indicative of the dividends that the Group may pay in the future. There is no assurance that the Group will be able to declare or distribute any dividends in the future.

Dividends payable by the Group to its foreign investors and gains on the sale of the Shares may be subject to withholding taxes under the PRC tax laws

Under the EIT Law and its implementation rules, enterprise income tax at the rate of 10.0% is applicable to dividends payable to investors that are "non-resident enterprises" (being investors which have not set up institutions or premises in the PRC, or where the institutions or premises are set up but its subsidiary's after tax income has no actual relationship with such institutions of premises) to the extent such dividends are sourced within the PRC. Similarly, any gain realised on the transfer of the shares of a PRC enterprise by such investors is also subject to 10.0% PRC enterprise income tax if such gain is regarded as income derived from sources within the PRC. If the Group is considered as a PRC "resident enterprise", it is unclear whether the dividends the Group pays with respect to the Shares, or the gain you may realise from the transfer of the Shares, would be treated as income derived from sources within the PRC and be subject to PRC tax. If the Group is required under the EIT Law to withhold PRC enterprise income tax on the Group's dividends payable to its foreign Shareholders, or if you are required to pay PRC enterprise income tax on the transfer of the Shares, the value of your investment or return on your investment in the Shares may be materially adversely affected.

Government control on currency conversion and changes in the exchange rate between RMB and other currencies could negatively affect the Group's financial condition, results of operations and its ability to pay dividends

RMB is not currently a freely convertible currency and the Group needs to convert RMB into foreign currencies for the payment of dividends, if any, to Shareholders, which is subject to the PRC rules and regulations on currency conversion. In the PRC, SAFE regulates the conversion of RMB into foreign currencies. Foreign invested enterprises are required to apply to SAFE or its local branches for Foreign Exchange Registration Certificates. Under the relevant PRC foreign exchange laws and regulations, payment of regular items, including profit distributions and interest payments, are permitted to be made in foreign currencies without prior government approval, but are subject to certain procedural requirements. Strict foreign exchange control continues to apply to capital account transactions, which must be approved by and/or registered with SAFE. The Group cannot assure you that the PRC regulatory authorities will not impose further restrictions on foreign exchange transactions for regular items, including payment of dividends.

Furthermore, in 2005, the PRC revalued the exchange rate of the RMB to the USD and abolished the pegging of the RMB solely to the USD as applied in the past. Instead, it is pegged against a basket of currencies. The Group cannot assure you that in the future the PRC will not revalue RMB or permit its substantial appreciation. Any increase in the value of RMB may adversely affect the growth of the PRC economy and competitiveness of various industries in the PRC, including the industry in which the Group operates, which could in turn affect the financial condition and results of operations of the Group. Fluctuations in exchange rates for USD may also adversely affect the value, translated or converted into RMB, of the Group's net assets, earnings and any declared dividends. The Group may incur new debt financings which may include foreign currency denominated borrowings. Any adverse fluctuations in exchange rates among these foreign currencies may materially and adversely affect the Group's results of operations.

PRC regulations on direct investments and loans by offshore holding companies to PRC entities may delay or limit the Group from making additional capital contributions or loans to the Company's major PRC subsidiaries

In utilising the **[REDACTED]** of the **[REDACTED]** in the manner described in the section headed "Future Plans and **[REDACTED]**" in this document, the Company, as the offshore holding company of the Company's operating subsidiaries in the PRC, may make loans and additional capital contributions to the Company's PRC subsidiaries or a combination thereof. Any loans to the Company's PRC subsidiaries are subject to PRC regulations and approvals. For example, loans by the Company to its subsidiaries in the PRC, which are foreign-invested enterprises, to finance their activities cannot exceed statutory limits, and must be registered with SAFE or its local counterpart. In addition, any capital contributions to the Company's PRC subsidiaries must be approved by MOFCOM or its local counterpart. The Group cannot assure that the Group will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by the Group to the Company's PRC subsidiaries. If the Group fails to obtain such registrations or approvals, its ability to use the **[REDACTED]** of the **[REDACTED]** may be negatively affected, which could materially and adversely affect its liquidity and its ability to fund and expand its business.

You may experience difficulties in effecting service of legal process and enforcing judgments against the Group and its officers

The Company was incorporated under the laws of the Cayman Islands and a substantial part of the Group's businesses, assets and operations are located in the PRC. In addition, most of the Directors and officers are residents of the PRC. As a result, it may not be possible to effect service of legal process upon the Group, or the Directors and the Group's officers in the PRC. Moreover, a judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC, or if judgements of the PRC courts have been recognised before in that jurisdiction (subject to the satisfaction of other requirements). The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of the United States, the United Kingdom, Japan and most other western countries. Therefore, it may be difficult for you to enforce against the Group, or the Directors and the Group's officers in the PRC any judgments obtained from non-PRC courts.

Under the current arrangement for reciprocal enforcement of arbitral awards between the PRC and Hong Kong, awards made by the PRC arbitral authorities that are recognised under the Arbitration Ordinance can be enforced in Hong Kong. Hong Kong arbitration awards are also enforceable in the PRC. On 14 July 2006, the Supreme People's Court of the PRC and the government of Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters (the "**2006 Arrangement**"). Under the 2006 Arrangement, where any designated People's Court of the PRC or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, any party concerned may apply to the relevant People's Court of the PRC or Hong Kong court for recognition and enforcement of the judgment. Although the 2006 Arrangement became effective on 1 August 2008, the outcome and effectiveness of any application brought under the 2006 Arrangement remains uncertain.

In January 2019, the Supreme People's Court of the PRC and the government of Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (the "**2019 Arrangement**"). The 2019 Arrangement stipulates, among others, the scope and particulars of judgements, the procedures and ways of application for recognition or enforcement, the review of the jurisdiction of the court that issues the original judgement, the circumstances where the recognition and enforcement of a judgement shall be refused, and the approaches towards remedies. The 2019 Arrangement shall apply to any judgement made on or after its effective date by the courts of both sides. The 2006 Arrangement shall be terminated on the same day when the 2019 Arrangement comes into effect. If a "written choice of court agreement" has been signed by parties according to the 2006 Arrangement prior to the effective date of the 2019 Arrangement, the 2006 Arrangement shall still apply. Although the 2019 Arrangement has been signed, its effective date has yet to be announced. Therefore, there are still uncertainties about the outcome and effectiveness of enforcement or recognition of judgements under the 2019 Arrangement.

In addition, Hong Kong has not entered into multilateral conventions or bilateral treaties regarding recognition and enforcement of judgments made by courts of any other jurisdictions. Hong Kong courts are also subject to certain limiting concerns when being used as an avenue for aggrieved investors, including enforcement of a Hong Kong judgment against the overseas assets, operations and/or directors, and enforcement of an overseas judgment in Hong Kong courts. As a result, it may be difficult or impossible for investors to effect service of process, enforce foreign judgments, or bring original actions against the Group's assets, or the Directors in China or Hong Kong in order to seek recognition and enforcement of foreign judgments in China.

Although the Group will be subject to the Listing Rules and the Takeovers Code upon **[REDACTED]**, the Shareholders will not be able to bring actions on the basis of violation of the Listing Rules or the Takeovers Code, which do not have the force of law in Hong Kong, and must rely on the Stock Exchange and SFC to enforce their rules.

There are uncertainties regarding the interpretation and enforcement of PRC laws and regulations

The Company's operating subsidiaries are principally based in the PRC and are subject to the laws and regulations of the PRC. The PRC legal system is based on statutory laws. Under this system, prior court decisions may be cited for reference but do not have binding precedential effect. Since 1979, the PRC government has been developing a comprehensive legal system and considerable progress has been made in the promulgation of laws and regulations dealing with economic matters, such as corporate organisation and governance, property title, foreign investment, commerce, taxation and trade. As these laws and regulations are relatively new and evolving, and because of the limited volume of published cases and judicial interpretations, and the non-binding nature of prior court decisions, the interpretation and enforcement of these laws and regulations involves some uncertainties. Such uncertainties may lead to difficulties in enforcing the Group's rights and in resolving disputes with any persons, and could result in unanticipated costs and liabilities.

RISKS RELATING TO THE [REDACTED] AND THE SHARES

There may be limited liquidity in the Shares and volatility in the price of the Shares on the Stock Exchange, which could result in substantial loss for investors purchasing the Shares under the [REDACTED]

The Shares have not been traded in an open market prior to the completion of the **[REDACTED]** and the **[REDACTED]** may not serve as an indicator of the price of the Shares as traded on the Stock Exchange in the future.

The **[REDACTED]** is the result of negotiations between the Group, the **[REDACTED]** and the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**), and may be different from the market prices for the Shares after the **[REDACTED]**. The Group has applied for the listing of and permission to deal in the Shares on the Stock Exchange. However, there is no assurance that an active and liquid public trading market of the Shares will develop upon the **[REDACTED]**, or if it does develop, that it may be sustained for any period of time after the **[REDACTED]**. The market price and trading volume of the Shares may fluctuate significantly and rapidly as a result of the following factors, among other things, some of which are beyond the Group's control:

- variation in the Group's results of operations;
- the Group's inability to compete effectively in the market;
- changes in securities analysts' analysis of the Group's financial performance;
- the Group's announcement of significant acquisitions, dispositions, strategic alliances or joint ventures;
- addition or departure of the Group's key personnel;
- fluctuations in market prices and trading volume of the Shares;
- the Group's involvement in litigation;
- penalties from the relevant authorities in respect of any possible non-compliance in the Group's operations; and
- general economic and stock market conditions in Hong Kong.

All such factors may result in significant fluctuations in the market price and/or transaction volume of the Shares. There is no assurance that such changes will not occur.

Purchasers of the Shares will experience immediate dilution and may experience further dilution if the Group issue additional Shares in the future

The **[REDACTED]** of the Shares is higher than the net tangible asset value per Share immediately prior to the **[REDACTED]** and the **[REDACTED]**. Therefore, purchasers of the Shares in the **[REDACTED]** will experience an immediate dilution. In order to expand its business, the Group may consider offering and issuing additional Shares to new and/or existing Shareholders in the future after the **[REDACTED]**. Purchasers of the Shares may experience further dilution in their holdings in the future.

Sale or perceived sale of substantial amounts of the Shares in the public market after the [REDACTED] could materially and adversely affect the prevailing market price of the Shares

The Shares beneficially owned by the Controlling Shareholders are subject to certain lock-up periods under the Listing Rules and further undertakings in favour of the Group, however, there is no assurance that the Controlling Shareholders (whose interests may differ from those of other Shareholders) will not dispose of their Shares following the expiration of the lock-up periods. Sale of substantial amounts of the Shares in the public market, or the perception that such sale may occur, could adversely affect the prevailing market price of the Shares.

Upon completion of the **[REDACTED]** and the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised, and without taking into account of any shares which may be granted upon the exercise of any options which may be granted under the Share Option Scheme), the Controlling Shareholders will own **[REDACTED]** of the Shares in issue (without taking into account of the Shares which may be issued upon the exercise of the **[REDACTED]**, and issued upon the exercise of options under the Share Option Scheme) and will therefore have significant influence over the operations and business strategies of the Group. Accordingly, the Controlling Shareholders will have the ability to require the Group to effect corporate actions according to their own desires. The interests of the Controlling Shareholders may not always coincide with the best interests of other Shareholders. If the interests of any of the Controlling Shareholders conflict with the interests of other Shareholders, or if any of the Controlling Shareholders choose to cause the Group's business to pursue strategic objectives that conflict with the interests of other Shareholders, the Company or those other Shareholders may be materially and adversely affected as a result.

The Group may require additional funding for future growth. Issue of new Shares under the Share Option Scheme or any future equity fund raising exercise will have a dilution effect and may affect the Group's profitability

The Group may be presented with opportunities to expand the Group's business through acquisitions in the future. Under such circumstances, secondary issue(s) of securities after the **[REDACTED]** may be necessary to raise the required capital to capture these growth opportunities. If additional funds are raised by means of issuing new equity securities in the future to new and/or existing Shareholders after the **[REDACTED]**, such new Shares may be priced at a discount to the then prevailing market price. Inevitably, if existing Shareholders are not offered an opportunity to participate, their shareholding interests in the Company will be diluted. Also, if the Group fails to utilise the additional funds to generate expected earnings, this could adversely affect the Group's financial results and in turn exert pressure on the market price of the Shares. Even if additional funds are raised by means of debt financing, any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters.

Further, the Group has conditionally adopted the Share Option Scheme but no option has been, or will be granted thereunder prior to the **[REDACTED]**. Any exercise of the options to be granted under the Share Option Scheme in the future will result in a dilution in the shareholding of the Shareholders in the Company, and may result in a dilution in the earnings per Share and net asset value per Share. The fair value of the share options at the date on which they are granted with reference to the valuer's valuation will be charged as share-based expense, which may adversely affect the Group's results of operations.

RISKS RELATING TO STATEMENTS MADE IN THIS DOCUMENT AND FROM OTHER SOURCES

Certain statistics and facts in this document are derived from various official government sources and publications or other sources and have not been independently verified

This document includes certain statistics and facts that are derived from various official government sources, public market research, the Ipsos Report and other independent third-party sources. The statistics and facts from official government sources have not been independently verified by the Company, the Directors, the Sole Sponsor, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, or any of their respective directors, affiliates or advisers or any other party involved in the **[REDACTED]**, and no representation is given as to its accuracy.

Forward-looking statements contained in this document are subject to risks and uncertainties

This document contains certain statements and information that are "forward-looking" and uses forward-looking terminologies such as "anticipate", "believe", "could", "expect", "estimate", "intend", "may", "plan", "seek", "should", "will", "would" or similar terms. Those statements include, among other things, the discussion of the Group's growth strategy, expectations concerning the Group's future operations and liquidity and capital resources. Investors of the Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties, and that, although the Group believes the assumptions on which the forward-looking statements based on are reasonable, any or all of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within the Group's control. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations that the Group's plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. The Group does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. Please refer to the section headed "Forward-looking Statements" in this document for further details.

The Group strongly cautions you not to place any reliance on any information contained in press articles, media coverage and/or research analyst reports regarding the Group, the industry in which the Group operates, or the [REDACTED]

There may be press articles, media coverage and/or research analyst reports regarding the Group, the industry in which the Group operates, or the **[REDACTED]**, which may include certain financial information, financial projections and other information about the Group that do not appear in this document. The Group has not authorised the disclosure of any such information in the press, media or research analyst reports. The Group does not accept any responsibility for any such press articles, media coverage or research analyst reports, or the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this document is inconsistent or conflicts with the information contained in this document, the Group disclaims it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase the Shares, you should rely only on the financial, operational and other information included in this document.

In preparation for the **[REDACTED]**, the Company has applied for the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, the Company must have sufficient management presence in Hong Kong, which normally means that at least two executive directors must be ordinarily resident in Hong Kong. Given that (i) the core business operations of the Group are principally located, managed and conducted in the PRC and the Group's head office is situated in Jiangxi Province, the PRC; (ii) the executive Directors and senior management team principally reside in the PRC; and (iii) the management and operations of the Group have mainly been under the supervision of the executive Directors and senior management, who are principally responsible for the overall management, corporate strategy, planning, business development and control of the Group's businesses and it is important for them to remain in close proximity to the Group's operation located in the PRC, the Company considers that it would be difficult and commercially not feasible for the Company to appoint two executive Directors who are ordinary residents of Hong Kong and station them in Hong Kong or to relocate the executive Directors to Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules. For the above reasons, the Company does not have, and does not contemplate in the foreseeable future that it will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, the Company has applied to the Stock Exchange for, and the Stock Exchange [has granted us], a waiver from strict compliance with Rule 8.12 of the Listing Rules. The Company will ensure that there are adequate and efficient arrangements to achieve regular and effective communication between the Company and the Stock Exchange as well as compliance with the Listing Rules by way of the following arrangements:

(a) **Authorised representatives**: the Company has appointed Mr. Liu Dingyi, an executive Director and a joint company secretary, and Ms. Wong Wai Yee, Ella ("**Ms. Wong**"), a joint company secretary, as the authorised representatives ("**Authorised Representatives**") for the purpose of Rule 3.05 of the Listing Rules. The Authorised Representatives will act as the Company's principal channel of communication with the Stock Exchange and would be readily contactable by phone, facsimile and email to deal promptly with enquiries from the Stock Exchange. Ms. Wong ordinarily resides in Hong Kong whereas Mr. Liu ordinarily resides in the PRC, and Mr. Liu possesses valid travel documents and is able to renew such travel documents when they expire in order to visit Hong Kong. Accordingly, the Authorised Representatives will be able to meet with the relevant members of the Stock Exchange to discuss any matters in relation to the Company within a reasonable period of time. See "Directors and Senior Management" in this document for more information about the Authorised Representatives.

(b) **Directors**: to facilitate communication with the Stock Exchange, the Company has provided the Authorised Representatives and the Stock Exchange with the contact details of each of the Directors. In the event that any Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his/her accommodation to the Authorised Representatives. To the best of the Company's knowledge and information, each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period after requested by the Stock Exchange.

(c) **Compliance adviser**: the Company has appointed Zhongtai International Capital Limited as its compliance adviser (the "**Compliance Adviser**") in compliance with Rule 3A.19 of the Listing Rules. The Compliance Adviser will, among other things and in addition to the Authorised Representatives, provide the Company with professional advice on continuing obligations under the Listing Rules and act as additional channel of communication of the Company with the Stock Exchange during the period from the **[REDACTED]** to the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately after the **[REDACTED]**. The Compliance Adviser will be available to answer enquiries from the Stock Exchange and will act as the principal channel of communication with the Stock Exchange when the Authorised Representatives are not available.

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

According to Rules 3.28 and 8.17 of the Listing Rules and Chapter 3.10 of the Guide for New Listing Applicants published by the Stock Exchange effective from 1 January 2024, the secretary of an issuer must be a person who has the requisite knowledge and experience to discharge the functions of the company secretary and is either (i) a member of the Hong Kong Chartered Governance Institute, a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong) or a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong); or (ii) an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

The Company proposes to appoint Mr. Liu Dingyi and Ms. Wong as the Company's joint company secretaries. Mr. Liu is an executive Director of the Company and is responsible for overseeing legal and compliance activities of the Group. Although Mr. Liu does not possess the qualifications set out in Rule 3.28 of the Listing Rules, the Company believes it would be in the best interests of the Company to appoint him as one of the joint company secretaries due to his management role in the Company and his thorough understanding of the internal administration and business operations of the Group. In addition, as the Group's headquarter and principal operations are located in the PRC, the Directors believe that it is necessary to appoint Mr. Liu as a company secretary whose presence in the PRC enables him to attend the day-to-day corporate secretarial matters of the Group. The Company has appointed Ms. Wong, a Chartered Governance Professional and a fellow of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) another in the United Kingdom, who is qualified under Rule 3.28 of the Listing Rules, to act as the other joint company secretary to provide guidance to and assist Mr. Liu on an on-going basis. Being a director of Corporate Services Division of Tricor Services Limited, the Directors are of the view that Ms. Wong is a person who is qualified and suitable to provide assistance to Mr. Liu for the three-year period from the **[REDACTED]** so as to enable him to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) to duly discharge his duties.

Accordingly, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules on the condition that Mr. Liu will be assisted by Ms. Wong as a joint company secretary throughout the three-year period from the **[REDACTED]**. Apart from discharging in her role as one of the joint company secretaries, Ms. Wong will guide and assist Mr. Liu to acquire the relevant experience as required under Rule 3.28 of the Listing Rules. She will be able to provide necessary guidance, direction and support to Mr. Liu from time to time and to explain to both Mr. Liu and the Company the relevant provisions and requirements under the Listing Rules and other applicable Hong Kong laws and regulations. Ms. Wong is expected to work closely with Mr. Liu and will maintain regular contact with Mr. Liu and the Directors and senior management of the Company.

In addition, the Company will ensure both Mr. Liu and Ms. Wong to comply with the requirement under Rule 3.29 of the Listing Rules to take no less than 15 hours of relevant professional training annually and will enhance his knowledge of the Listing Rules during the three-year period from the **[REDACTED]**. Ms. Wong will guide and assist Mr. Liu to enable him to acquire the requisite company secretarial knowledge and experience. The Company will further ensure that Mr. Liu has access to the relevant training and support that would enhance his understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange. The Compliance Adviser will also provide guidance and advice to the Company and joint company secretaries as to the Listing Rules and all other applicable laws and regulations. Such waiver will be revoked immediately if and when Ms. Wong ceases to provide such assistance or the Company commits any material breaches of the Listing Rules during the three-year period from the **[REDACTED]**. At the end of the three-year period, the Company must demonstrate and seek the confirmation of the Stock Exchange that Mr. Liu, having had the benefit of Ms. Wong's assistance for three years, will have acquired the relevant experience within the meaning of Rule 3.28 of the Listing Rules and is capable of discharging the responsibilities of a company secretary, so that a further waiver will not be necessary.

[REDACTED]

[REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Liu Haoqiong (劉皓瓊)	Room 502, Unit 1, Building 2 No. 38 Qingshan South Road Donghu District Nanchang City Jiangxi Province, PRC	Chinese
Mr. Peng Shengqian (彭聲謙)	Room 402 No. 42, Changqiao Fifth Village Xuhui District Shanghai, PRC	Chinese
Ms. Xie Xiaolan (謝小蘭)	No. 5, Dangjia Road Donghu District, Nanchang City Jiangxi Province, PRC	Chinese
Mr. Liu Dingli (劉鼎立)	Room 502, Unit 1, Building 2 No. 38 Qingshan South Road Donghu District Nanchang City Jiangxi Province, PRC	Chinese
Mr. Liu Dingyi (劉鼎議)	Room 502, Unit 1, Building 2 No. 38 Qingshan South Road Donghu District Nanchang City Jiangxi Province, PRC	Chinese
Mr. Zhou Zhiqiang (周志強)	Room 602, Unit 4 Block 2, Building 3 849 Fenglin West Street Nanchang Economic and Technological Development Zone Jiangxi Province, PRC	Chinese
Independent Non-executive Directors		
Mr. Yu Shiyong (余世勇)	Wuyuan West Third Lane Huli District Xiamen City Fujian Province, PRC	Chinese
Mr. Li Yinguo (李銀國)	No. 14 3-2 No. 131 Yupei Road Shapingbei District Chongqing City, PRC	Chinese
Mr. Zhu Yugang (朱玉鋼)	Room 105, Unit 2, Building 13 No. 266 Guidian Road Xihu District Nanchang City Jiangxi Province, PRC	Chinese

Please refer to the section headed "Directors and Senior Management" in this document for further details of the Directors and the Group's senior management members.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	**Zhongtai International Capital Limited** *A corporation licenced under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO* 19/F Li Po Chun Chambers 189 Des Voeux Road Central Central Hong Kong
[REDACTED].	**[REDACTED]**
[REDACTED].	**[REDACTED]**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Legal advisers to the Company	*As to Hong Kong law:* **Nixon Peabody CWL** 5/F & Unit 1002, 10/F Standard Chartered Bank Building 4-4A Des Voeux Road Central Central, Hong Kong *As to PRC law:* **JunZeJun Law Offices** 28 & 29 Floor Landmark No.4028 Jintian Road Futian District Shenzhen 518035, PRC *As to Cayman Islands law:* **Ogier** 11th Floor Central Tower 28 Queen's Road Central Central, Hong Kong
Legal advisers to the Sole Sponsor and the [REDACTED]	*As to Hong Kong law:* **Holman Fenwick Willan** 15th Floor Tower One Lippo Centre 89 Queensway Admiralty, Hong Kong *As to PRC law:* **Guangdong Zhuojian Law Firm** 3rd/20th Floor Pingan Building No.1099 Shennan Middle Road Futian District Shenzhen City, PRC
Auditor and reporting accountants.	**KPMG** *Certified Public Accountants* 8th Floor Prince's Building 10 Chater Road Central, Hong Kong
Property valuer.	**HG Appraisal & Consulting Limited** 17/F 80 Gloucester Road Wanchai Hong Kong

Industry consultant	**Ipsos Asia Limited** 6/F China Life Center Tower A One HarbourGate 18 Hung Luen Road Hung Hom, Hong Kong
[REDACTED].	**[REDACTED]**

CORPORATE INFORMATION

Registered office	89 Nexus Way, Camana Bay Grand Cayman, KY1-9009 Cayman Islands
Head office and principal place of business in PRC	Room 101, Block 99 2799 Tianxiang Avenue Nanchang Jiahai Industrial Park Nanchang High-tech Industrial Development Zone Nanchang City Jiangxi Province, the PRC
Principal place of business in Hong Kong	5/F Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
Company's website.	**www.gantongjt.com** *(The information on the website does not form part of this document)*
Joint company secretaries	**Mr. Liu Dingyi** (劉鼎議) Room 502, Unit 1, Building 2 No. 38 Qingshan South Road Donghu District Nanchang City Jiangxi Province, PRC **Ms. Wong Wai Yee, Ella** (黄慧兒) 5/F Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
Authorised representatives.	**Mr. Liu Dingyi** (劉鼎議) Room 502, Unit 1, Building 2 No. 38 Qingshan South Road Donghu District Nanchang City Jiangxi Province, PRC **Ms. Wong Wai Yee, Ella** (黄慧兒) 5/F Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong

CORPORATE INFORMATION

Audit Committee	Mr. Yu Shiyong (余世勇) *(Chairman)* Mr. Zhu Yugang (朱玉鋼) Mr. Li Yinguo (李銀國)
Nomination Committee	Mr. Zhu Yugang (朱玉鋼) *(Chairman)* Mr. Yu Shiyong (余世勇) Mr. Liu Dingli (劉鼎立)
Remuneration Committee	Mr. Li Yinguo (李銀國) *(Chairman)* Mr. Yu Shiyong (余世勇) Mr. Peng Shengqian (彭聲謙)
Compliance adviser	**Zhongtai International Capital Limited** 19/F Li Po Chun Chambers 189 Des Voeux Road Central Central, Hong Kong
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
Principal bankers	**China Construction Bank Corporation, Nanchang Xihu Branch** No. 2 Yongshu Road Xihu District Nanchang City Jiangxi Province PRC **Bank of Communication Co., Ltd, Jiangxi Provincial Branch** 199 Huizhan Road Honggutan Nanchang City Jiangxi Province PRC

The information in the section below has been partly derived from various publicly available government sources, market data providers and other independent third-party sources. In addition, this section and elsewhere in the document contains statistics and facts extracted from the Ipsos Report, for the inclusion in this document. The information from official government sources have not been independently verified by the Company, the Sole Sponsor, the ***[REDACTED]****, the* ***[REDACTED]****, the* ***[REDACTED]****, any of our or their respective affiliates, directors or advisers or any other persons or parties involved in the* ***[REDACTED]****, and no representation is given as to its accuracy.*

For a detailed discussion of the risks relating to our industry, please refer to the paragraph headed "Risk Factors – Risks relating to the industry in which the Group operates" in this document.

SOURCE AND RELIABILITY OF THE INFORMATION

The Group has commissioned Ipsos, an independent market research company, to analyse and report on the industry development and competitive landscape of the telecommunications infrastructure services industry and digitalisation solution services industry in the PRC and Jiangxi Province, for the period from 2019 to 2028 at a fee of HK$965,000. Ipsos is an independent market research company, employing approximately 18,000 personnel worldwide across 90 countries.

The information in the Ipsos Report is obtained by (i) primary research via telephone and face to face interviews with key knowledge leaders; (ii) secondary desk research from government statistics, industry reports and other analyst reports; and (iii) performing client consultation to facilitate the research including in-house background information of the client (such as the business of the Group). The information and statistics as set forth in this section is extracted from the Ipsos Report.

The following bases and assumptions are used in the market sizing and forecasting model in the Ipsos Report: (i) the China economy will remain in steady growth across the period from 2024 to 2028, in the expectation that COVID-19 will continue to be under control; (ii) the supply of and demand for products and services of the telecommunications infrastructure services industry and digitalisation solution services industry in the PRC and Jiangxi Province are stable over the forecast period; (iii) it is assumed that there is no external shock such as financial crisis or natural disasters to affect the supply of and demand for telecommunications infrastructure services industry and digitalisation solution services industry in the PRC during the forecast period; (iv) no industry regulation will have a dramatic or fundamental impact on the telecommunications infrastructure services industry and digitalisation solution services industry in the PRC and Jiangxi Province during the forecast period.

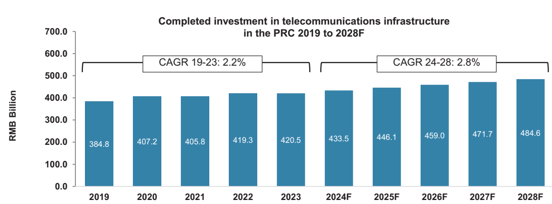
The Directors confirmed that, as at the Latest Practicable Date, after taking reasonable care, there is no adverse change in the market information since the date of the Ipsos Report which may qualify, contradict, or have an impact on the information in this section. Except as otherwise noted, all the data and forecasts contained in this section are derived from the Ipsos Report.

OVERVIEW OF THE TELECOMMUNICATIONS INFRASTRUCTURE SERVICES INDUSTRY IN THE PRC AND JIANGXI PROVINCE

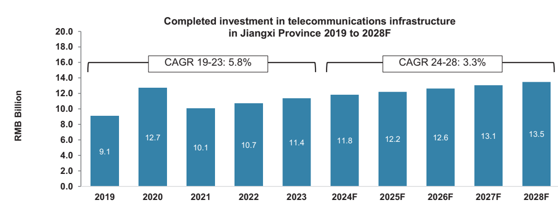
The telecommunications industry in the PRC is dominated by the three telecommunications network operators including China Unicom, China Telecom, and China Mobile (collectively the "**Big Three**"). They are state-owned enterprises, essentially forming a triopoly in the industry. The Big Three as well as the telecommunications tower infrastructure service provider, China Tower, account for over 90% of the completed investments in telecommunications infrastructure in the PRC.

Overall completed investments in telecommunications infrastructure in the PRC and Jiangxi Province

The completed investment in telecommunications infrastructure refers to the capital expenditures of the Big Three, China Tower and the government-led telecommunications infrastructure projects. The capital investments include both the purchase of equipment as well as infrastructure services including network planning and design, and construction. The following charts set out the overall completed investments in telecommunications infrastructure in the PRC and Jiangxi Province:



Sources: MIIT; Annual reports of listed companies; Ipsos research and analysis



Sources: MIIT; Jiangxi Provincial Statistic Bureau; Ipsos research and analysis

The overall completed investments in telecommunications infrastructure in the PRC grew from approximately RMB384.8 billion in 2019 to approximately RMB420.5 billion in 2023, at a CAGR of approximately 2.2%. The increment was mainly attributed to massive 4G and 5G networks development and the government-led investment projects on 5G infrastructure. The overall completed investments in telecommunications infrastructure in the PRC is expected to further increase from approximately RMB433.5 billion in 2024 to approximately RMB484.6 billion in 2028, at a CAGR of approximately 2.8%. The growth is expected to be driven by commercial application of telecommunications technology and digitalisation of urban infrastructure.

The overall completed investments in telecommunications infrastructure in Jiangxi Province grew from approximately RMB9.1 billion in 2019 to approximately RMB11.4 billion in 2023, at a CAGR of approximately 5.8%. In 2020, the province's completed investments in telecommunications infrastructure surged by approximately 39.9% compared to 2019, attributed to the investments by the Big Three and the provincial government in the Three-year Action Plan for the Development of Telecommunications Infrastructure in Jiangxi Province (2018-2020)(江西省信息通信基礎設施建設三年攻堅行動計劃(2018-2020)) which sets the goal to invest over RMB30 billion in telecommunications infrastructure in Jiangxi province, including core networks, transmission networks, access networks, FTTPs, 4G/5G base stations, IoT networks and cloud computing centres.

The overall completed investments in telecommunications infrastructure in Jiangxi Province is expected to continue the growth at a CAGR of approximately 3.3% from 2024 to 2028, exceed the national CAGR of approximately 2.8%. The growth is mainly supported by the favourable policies implemented to promote digital transformation by the Jiangxi provincial government. These policies aim to serve to kick-start the development trajectory during the period, and beyond. Some of these policies would extend into 2035, while some of the policies may cover the period from 2022 to 2025. For policies with an initial end date before 2027, it is expected that these policies will continue to have positive lingering effects on the demand for telecommunications services, and hence, the demand for telecommunications infrastructure on an on-going basis. Some of the policies include:

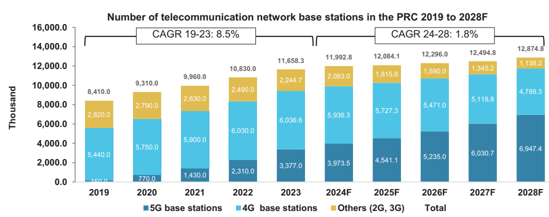
- The Jiangxi provincial government issued the "Notice on the Medium- and Long-term planning for Future Industry Development (2023-2035)"(關於江西省未來產業發展中長期規劃(2023-2035年)的通知) which is set the goal to accelerate the digitalisation of existing industries as well as the commercialization of future technology. While nine cities in have achieved the status of "Dual Gigabit Cities"(雙千兆城市) and over 50,000 units of manufacturing equipment have been upgraded to smart control, the provincial government set the goal to develop over 50 IIoT platforms and 10 IIoT demonstration districts by 2035.

- The Three-year Action Plan to Promote the Development of Big Data Industry in Jiangxi Province (2023-2025)(江西省促進大數據產業發展三年行動計劃(2023-2025年)) announce to enhance communication infrastructure. Efforts are being made to fully deploy gigabit optical networks and accelerate the construction of 10G-PON optical line terminal (OLT) equipment, enabling widespread access to gigabit capability for household users and 10G capability for large enterprises and organisations. Continual optimisation of core networks, transmission networks, and access networks is taking place. Upgrades and renovations are being carried out for facilities such as data centres, cloud platforms, and user terminals. Establishing and utilising the Nanchang national-level backbone direct connection point and the dedicated international internet data channels for Shangrao and Jiujiang are being prioritised.

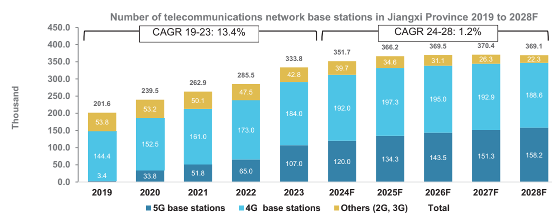
- As the urbanisation rate of Jiangxi Province is approximately 63.1% in 2023 and is lower than the national average of approximately 66.2%, it is expected that the provincial government will continue to accelerate urbanisation policies in Jiangxi Province and result in a higher growth in investment in infrastructure construction, fixed broadband subscribers and mobile phone subscribers in comparison to the national average.

Number of telecommunications network base stations in the PRC and Jiangxi Province

The base station is a fixed transceiver station serving as a central connection point for a wireless device to communicate in a telecommunications network, which is a critical component of a public mobile network that allows telecommunications network providers to deliver continuous telecommunications services to the public. With the deployment of 5G technology, the variety and amount of mobile traffic will increase substantially, and the number of base stations is expected to expand to meet the increased demand. The number of telecommunications network base stations typically reflects the level of investment in mobile telecommunications infrastructure. The following charts set out the number of telecommunications network base stations in the PRC and Jiangxi Province:



Sources: MIIT; Ipsos research and analysis



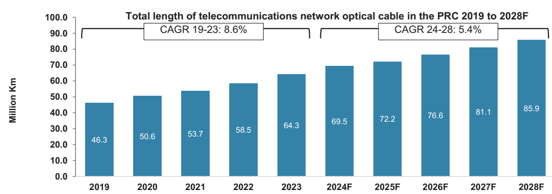
Sources: MIIT; Jiangxi Provincial Statistic Bureau; Ipsos research and analysis

The number of base stations in the PRC grew from approximately 8.4 million in 2019 to approximately 11.7 million in 2023, at a CAGR of approximately 8.5%. The growth is mainly attributed to the expansion of both 4G and 5G network services. The number of 5G base stations is estimated to reach about 6.9 million in 2028, at a CAGR of approximately 15.0% from 2024 to 2028. The 14th Five-year Plan Information and Communication Industry Development Plan (“十四五”信息通信行業發展規劃) sets the penetration target to build 26 5G base stations for every ten thousands people in 2025.

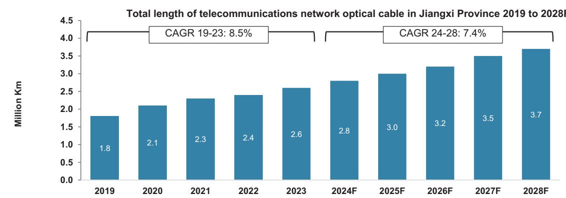
The number of base stations in Jiangxi Province increased from approximately 201.6 thousand in 2019 to approximately 333.8 thousand in 2023, at a CAGR of approximately 13.4%. The sustained growth in base stations is mainly attributed to the 5G telecommunications network development, as new base stations are needed for 5G to penetrate into rural areas. The number of base stations in Jiangxi Province is estimated to increase from approximately 351.7 thousands in 2024 to approximately 369.1 thousand in 2028, at a CAGR of approximately 1.2%, representing sustained growth in Jiangxi Province. The growth in the number of 5G base stations is offset by the retirement of the 2G and 3G base stations. The number of 5G stations is estimated to increase from approximately 120.0 thousands in 2024 to approximately 158.2 thousands in 2028, at a CAGR of approximately 7.2%. The steady growth is mainly driven by the local government's support in the 5G network infrastructure investment in Jiangxi Province. The 14th Five-year Information and Communication Industry Development Plan of Jiangxi Province (江西省“十四五”信息通信行業發展規劃) sets to build more than 100 thousands 5G base stations in Jiangxi Province by 2025, achieving 80% coverage of 5G networks in both urban and rural areas.

The total length of telecommunications network optical cable in the PRC

Optical cable is the core transmission media of the fixed line telecommunications network. The number of telecommunications network optical cable typically reflects the level of investment in fixed-line telecommunications infrastructure. The following charts set out the total length of telecommunications network optical cable in the PRC and Jiangxi Province from 2019 to 2028:



Sources: MIIT; Ipsos research and analysis



Sources: MIIT; Jiangxi Provincial Statistic Bureau; Ipsos research and analysis

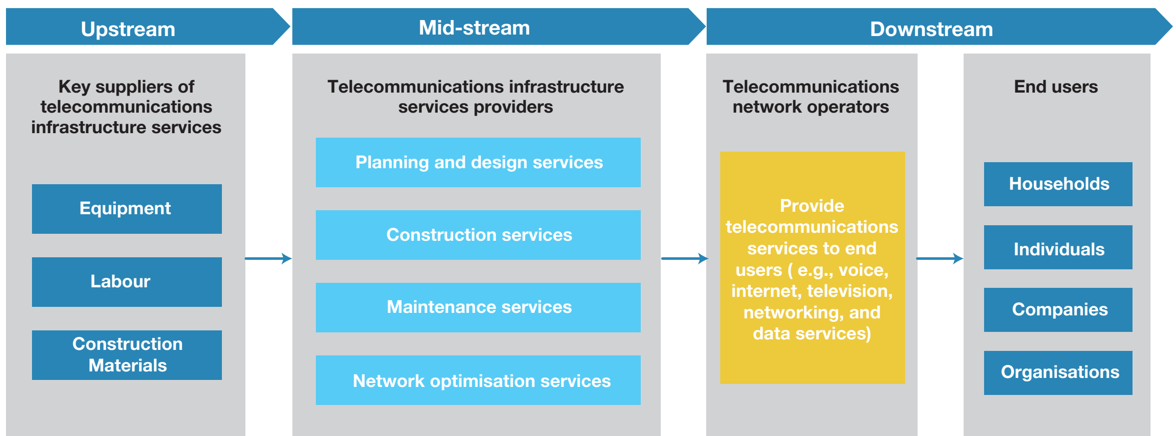
The length of overall telecommunications network optical cable in the PRC grew from approximately 46.3 million km in 2019 to approximately 64.3 million km in 2023, at a CAGR of approximately 8.6%. The constant growth of the telecommunications network optical cable is mainly credited to the Broadband China Strategy and Implementation Plan (「寬帶中國」戰略及實施方案) that sets to accelerate penetration of the high speed broadband services at internet speed of over 100Mbps and 1000Mbps. The length of the overall telecommunications network optical cable in PRC is expected to steadily increase from approximately 69.5 million km in 2024 to approximately 85.9 million km in 2028, at a CAGR of approximately 5.4%. The expected steady growth is mainly attributed to the prospective development of domestic telecommunications networks with the support from the national policy of the Notice on Accelerating the Construction of Broadband Frontiers (關於加快「寬帶邊疆」建設的通知), which is set to accelerate the development of both Fiber-to-the-home (FTTP) and 5G networks to enable the best network efficiency, and to upgrade the telecommunications infrastructure of public facilities in rural areas.

The length of overall telecommunications network optical cable network in Jiangxi Province surged from approximately 1.8 million km in 2019 to approximately 2.6 million km in 2023, at a CAGR of approximately 8.5%. The increase of the telecommunications network optical cable in Jiangxi Province is mainly due to the investment in telecommunications infrastructure, following the local government's action plan for the development of telecommunications infrastructures. The length of overall telecommunications network optical cable in Jiangxi Province is expected to increase from approximately 2.8 million km in 2024 to approximately 3.7 million km in 2028, at a CAGR of approximately 7.4%. The expected growth is mainly attributed to the local government's support of the 5G network development plan in Jiangxi Province in line with national policy to achieve comprehensive coverage of 5G networks in both urban and rural areas. The People's Government of Jiangxi Province issued the 14th Five-year Digital Economy Development Plan in Jiangxi Province (關於印發江西省"十四五"數字經濟發展規劃的通知), which proposes to continuously upgrade the digital infrastructure to accelerate the digital transformation of industries.

Value chain of the telecommunications infrastructure services industry

The PRC's telecommunications infrastructure services industry typically consists of key suppliers of telecommunications infrastructure services, telecommunications infrastructure services providers, telecommunications network operators, and end users.

Value chain of the telecommunications infrastructure services industry

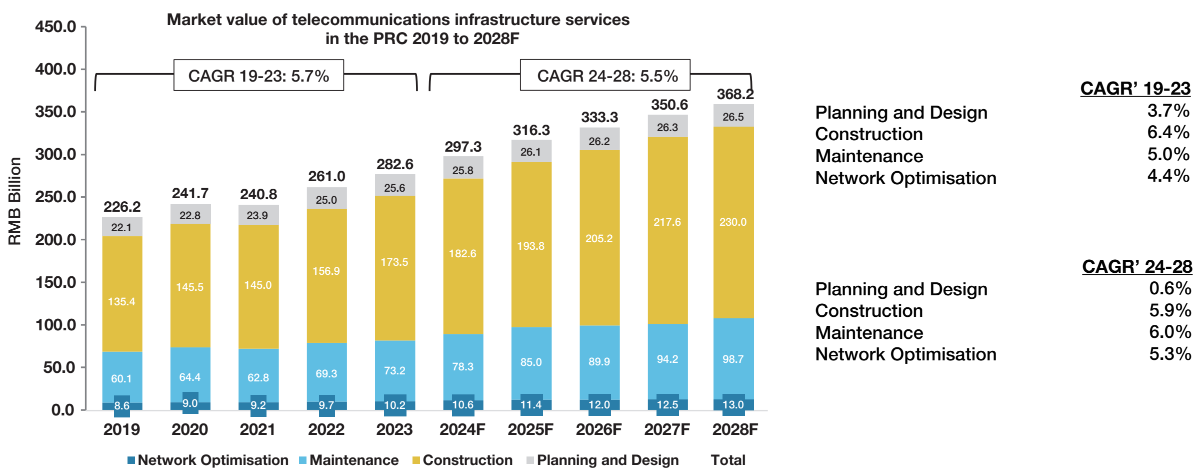


Source: Ipsos research and analysis

The telecommunications infrastructure services providers provide (i) planning and design services; (ii) infrastructure construction services; (iii) maintenance services and (iv) network optimisation. Companies in this industry may be either (i) companies focusing only one or two telecommunications infrastructure services; or (ii) companies providing a full range of services in relation to the telecommunications infrastructure services industry. Telecommunications infrastructure services providers usually award telecommunications infrastructure services projects from the Big Three and China Tower through tendering.

The market value of the telecommunications infrastructure services industry in the PRC

The following chart sets out the market value of the PRC's telecommunications infrastructure services industry:



Notes: The market size refers to the telecommunications infrastructure services provided to the Big Three and China Tower

Sources: Ipsos research and analysis

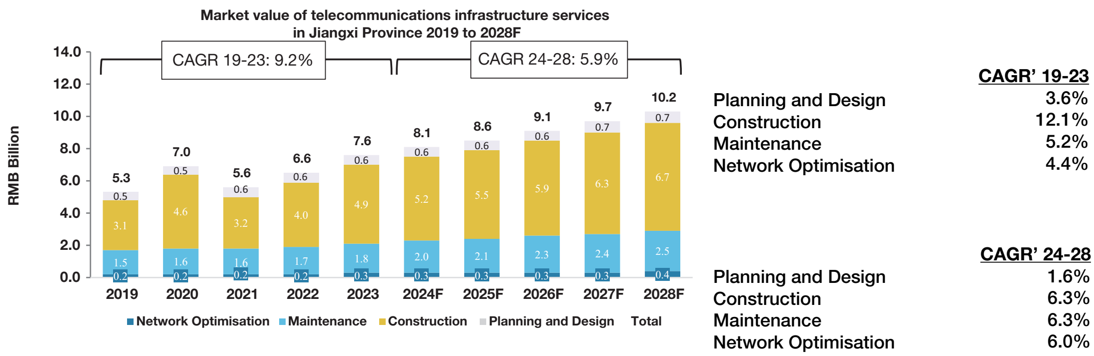
The overall market value of the telecommunications infrastructure services industry in the PRC grew from approximately RMB226.2 billion in 2019 to approximately RMB282.6 billion in 2023, at a CAGR of approximately 5.7%, led by the massive demand for 4G and 5G infrastructure construction services. The overall market value is estimated to grow from approximately RMB297.3 billion in 2024 to approximately RMB368.2 billion in 2028, at a CAGR of approximately 5.5%. Infrastructure construction services will continue to be the key driver of the market in the foreseeable future.

The market value of the telecommunications infrastructure construction services industry grew from approximately RMB135.4 billion in 2019 to approximately RMB173.5 billion in 2023, at a CAGR of approximately 6.4%. The increase in market value of telecommunications infrastructure construction was mainly attributed to the transformation and expansion of 4G and 5G networks as new base stations were required. The overall market value is estimated to grow from approximately RMB182.6 billion in 2024 to approximately RMB230.0 billion in 2028, at a CAGR of approximately 5.9%. The growth will be driven by investments in commercial applications of telecommunications technologies such as the Internet of things (IoT) and Internet Data Centre (IDC), etc.

The market value of the telecommunications infrastructure maintenance services is estimated to grow from approximately RMB78.3 billion in 2024 to approximately RMB98.7 billion in 2028, at a CAGR of approximately 6.0%. The demand for maintenance services is expected to increase due to the expansion of the network of telecommunications infrastructures including both 4G and 5G base stations.

The market value of the telecommunications infrastructure services industry in Jiangxi Province

The following chart sets out the market value of the telecommunications infrastructure services industry in Jiangxi Province:



Notes: *The market size refers to the telecommunications infrastructure services provided to the Big Three and China Tower*

Sources: MIIT; National Bureau of Statistics of China; Ipsos research and analysis

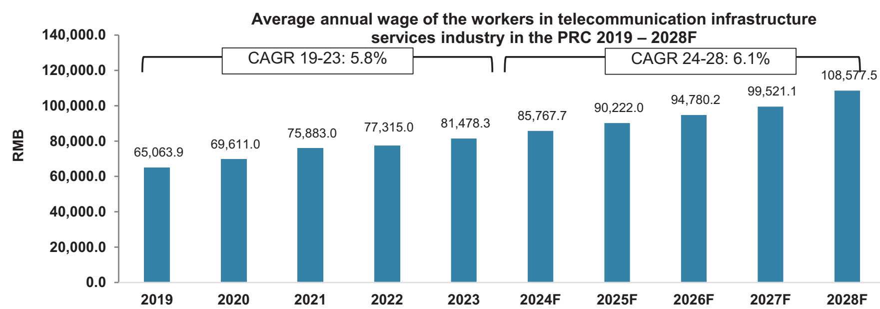
The overall market value of the telecommunications infrastructure services industry in Jiangxi Province grew from approximately RMB5.3 billion in 2019 to approximately RMB7.6 billion in 2023, at a CAGR of approximately 9.2%. The market value increased continuously, which was driven by massive construction of 4G and 5G basic infrastructures, such as base stations, telecommunications pipeline engineering, and other ancillary works that make the base stations work, following a similar developing trend to the PRC. The overall market value is estimated to grow from approximately RMB8.1 billion in 2024 to approximately RMB10.2 billion in 2028, at a CAGR of approximately 5.9%. The steady growth is expected to be driven by the continuous investment in construction of telecommunications infrastructure for commercial and governmental applications.

The market value of the telecommunications infrastructure construction services industry in Jiangxi Province grew from approximately RMB3.1 billion in 2019 to approximately RMB4.9 billion in 2023, at a CAGR of approximately 12.1%. The investments in Jiangxi Province peaked in 2020, the last year of the Three-year Action Plan for the Development of Telecommunications Infrastructures in Jiangxi Province (2018-2020)(江西省信息通信基礎設施建設三年攻堅行動計劃(2018-2020)). The overall market value of telecommunications infrastructure construction services in Jiangxi Province is estimated to grow from approximately RMB5.2 billion in 2024 to approximately RMB6.7 billion in 2028, at a CAGR of approximately 6.3%. Launched in 2022, the 14th Five-year Digital Economy Development Plan in Jiangxi Province(關於印發江西省"十四五"數字經濟發展規劃的通知), sets the development of the digital economy in 5G and IIoT, and proposes to upgrade the digital infrastructure to accelerate the digital transformation of industries.

The market value of the telecommunications network infrastructure maintenance services is estimated to grow from approximately RMB2.0 billion in 2024 to approximately RMB2.5 billion in 2028, at a CAGR of approximately 6.3%. The steady growth is expected to be driven by the expansion of the network of telecommunications infrastructures including both 4G and 5G base stations.

The average annual wage of the workers in the telecommunications infrastructure services industry in the PRC

Telecommunications infrastructure services generally involves labour intensive works, therefore wage of workers is the major cost for providing such services. The following chart sets out the average annual wage of the workers in the telecommunications infrastructure services industry in the PRC:



Sources: IMF; China yearbooks; Ipsos research and analysis

The average annual wage of the workers in the telecommunications infrastructure services industry grew at a CAGR of approximately 5.8% from 2019 to 2023. The growth is mainly attributed to the rapid transformation of the telecommunications network from 3G to 4G or from 4G to 5G, resulting in the surging demand for skilled telecommunications labour. It is forecasted that the average annual wage of workers is expected to grow at a CAGR of approximately 6.1% from 2024 to 2028 owing to the continuous demand for experienced workers for construction of telecommunications infrastructure.

COMPETITIVE LANDSCAPE OF THE TELECOMMUNICATIONS INFRASTRUCTURE SERVICES INDUSTRY IN THE PRC AND JIANGXI PROVINCE

The telecommunications infrastructure services industry in the PRC is highly fragmented with low concentration. In 2023, there were approximately 6,004 companies in the PRC certified with Communications Project Implementation General Contracting Enterprises Qualification（通信工程施工總承包資質）Class 1, Class 2, or Class 3. 366 companies or approximately 6.1% of which were certified with the Class 1 qualification. Class 1 enterprises are eligible to undertake all scale of telecommunications infrastructure projects, Class 2 enterprises are eligible to undertake telecommunications infrastructure projects with a contract value of RMB20 million or below, and Class 3 enterprises are eligible to undertake telecommunications infrastructure projects with a contract value of RMB5 million or below.

The following table sets out the leading telecommunications infrastructure construction and maintenance services companies in the PRC by revenue in 2023:

Rank	Company	Company description	Company listed	Estimated revenues in 2023	Market share
				(RMB Billion)	
1	Company A	The company mainly engages in providing telecommunications infrastructure construction and maintenance services.	Yes	51.4	20.8%
2	Company B	Established in 2003, the company mainly engages in telecommunications infrastructure construction services. The company is now a wholly-owned subsidiary of a leading telecommunication network operator.	Yes	17.6	7.1%
3	Company C	The company mainly focuses on providing telecommunications infrastructure construction and maintenance services.	Yes	3.9	1.6%
4	Company D	The company mainly manufacture telecommunications equipment and engages in telecommunications infrastructure construction and maintenance services.	Yes	3.3	1.3%
5	Company E	The company mainly engages in telecommunications infrastructure construction and maintenance services.	Yes	2.1	0.9%
	Others			168.4	68.3%
		Total		**246.7**	**100.0%**

Notes:

1. The revenue refers to the telecommunications infrastructure services provided to the Big Three and the world's largest telecommunications tower infrastructure service provider.

2. The revenue figures refer to revenue generated by offering telecommunications infrastructure construction and maintenance services. Thus, the revenue figures shown above are different from the figures disclosed in the respective companies' annual report.

3. Percentage/figure may not add up to 100%/amount due to rounding.

Source: Annual reports of listed companies; Ipsos research and analysis

In 2023, there were approximately 246 companies certified with Class 1, Class 2, or Class 3 qualifications that had won at least one telecommunications infrastructure project in Jiangxi Province. Among these companies, approximately 12 active players certified with Class 1 qualification had secured construction and maintenance projects in Jiangxi Province with an aggregate contract value of more than approximately RMB20 million in 2022 and 2023. Additionally, approximately 5 active players certified with Class 1 qualification had secured construction and maintenance projects in Jiangxi Province with an aggregate contract value of more than approximately RMB50 million in 2022 and 2023.

The following table sets out the leading telecommunications infrastructure construction and maintenance services companies in Jiangxi Province by revenue in 2023. The Group ranked the third with revenue of RMB209.1 million derived from the Telecommunications Infrastructure Services business segment for projects located in Jiangxi Province in 2023, representing a market share of 3.1%.

Rank	Company	Company description	Company listed	Estimated revenues in 2023	Market share
				(RMB Million)	
1	Company F.	The company engages in providing telecommunications infrastructure construction and maintenance services. The company is now a wholly-owned subsidiary of a leading telecommunications infrastructure construction and maintenance services provider.	Yes	862.2	12.9%
2	Company G	Established in 2003, the company mainly engages in telecommunications infrastructure construction services. The company is now a wholly-owned subsidiary of a leading telecommunication network operator.	Yes	801.6	11.9%
3	The Group	Established in 2002, the company focuses on providing telecommunications infrastructure construction and maintenance services.	No	209.1	3.1%
4	Company H	The company engages in providing telecommunications infrastructure construction and maintenance services. The company is now a wholly-owned subsidiary of a leading telecommunications infrastructure construction and maintenance services provider.	Yes	199.4	3.0%
5	Company I	The company mainly engages in providing telecommunications network infrastructure construction services. The company is now a wholly-owned subsidiary of a leading telecommunications infrastructure construction and maintenance services provider.	Yes	170.3	2.5%
	Others			4,466.6	66.6%
		Total		**6,709.2**	**100.0%**

Notes:

1. The revenue refers to the telecommunications infrastructure services provided to the Big Three and the world's largest telecommunications tower infrastructure service provider.

2. The revenue figures refer to revenue generated by offering telecommunications infrastructure construction and maintenance services. Thus, the revenue figures shown above are different from the figures disclosed in the respective companies' annual report.

3. Percentage/figure may not add up to 100%/amount due to rounding.

Source: Ipsos research and analysis

Factors of competition

- **Proven track record of projects**: Past project experience proves how a company can manage and execute the project under different scenarios in different geographical locations. Companies are required to list their project experiences in the designated provinces in the tender documents to demonstrate capabilities to manage projects in specific provinces. During the bid evaluation process for major telecom infrastructure construction projects offered by the Big Three, the past performance of telecommunications infrastructure services providers plays a crucial role. It accounts for 20% of the score used to evaluate the bids. This assessment is based on the telecommunications infrastructure services providers' track record and performance in previous projects, underscoring the importance of a strong and proven history in successfully securing contracts.

Market drivers and opportunities

- **Urbanisation and rural development**: Urbanisation helps to spur growth and demand for telecommunications infrastructure, as the number of potential users would increase over time. The national policy such as the 14th Five-year Plan Information and Communication Industry Development Plan (「十四五」信息通信行業發展規劃) and provincial policies such as Notice on Advancing the Systematic Development of New Information Infrastructure in Jiangxi Province (關於推進新型信息基礎設施體系化發展的通知) set a roadmap for the penetration of 5G network as well as 1,000M FTTH in urban and rural areas in the PRC and Jiangxi Province.

- **5G application and 5G Industrial Internet of Things (IIoT)**: The national policy has planned to develop new digital infrastructures with the integration of 5G, AI, IoT, cloud computing and big data, turning the traditional industry into an entire digitalised economy. The telecommunications network operators work closely with large and small enterprises to launch pilot IIoT cases in different industries, particularly in digital industrial management. As the close partnership working with telecommunications network operators, telecommunications infrastructure services providers can take part in IIoT projects, including projects that request the infrastructures construction.

Entry barriers

- **High capital requirements**: The execution of an infrastructure construction project typically involves significant amounts of resources and costs, including the machinery, tools, equipment and workforce necessary for the successful completion of a project. In addition, customers will typically pay after the work has been verified for quality. Companies must maintain a strong cash flow and financing capacity to maintain liquidity of business operations because the customer payment cycle could be long. Besides operating cash flow, new entrants must meet the net assets pre-requisite to qualify for the licenses. For example, the net asset capital requirement for the first tier Communications Project Implementation General Contracting Enterprises Qualification (通信工程總承包一級資質) is RMB80 million.

- **Track record of past project experience**: The lack of sufficient past project experience is a barrier to new entrants since past project experience is one of the key bidding evaluation criteria to demonstrate a company's capability to complete a project of a similar type. Existing players in the industry have accumulated a high number of successful projects with excellent proven records.

- **License**: Licenses are the prerequisites for a company to participate in the project bidding from the Big Three. It is challenging for new entrants to meet all licensing requirements, as licensing is strictly controlled by responding departments under the evaluation of the business operation, technology standard, net asset, and past project experience.

Threats and challenges

- **Increasing labour cost**: The average annual wage of the workers in the telecommunications infrastructure services industry in the PRC grew from approximately RMB65,063.9 in 2019 to approximately RMB81,478.3 in 2023, at a CAGR of approximately 5.8%. The upward trend reflects the continuous demand for a skilled labour force, especially in some provinces that are short of labour, resulting in a lower profitability of telecommunications infrastructure services providers.

- **The potential reduction of expenditure on 5G infrastructure**: The Big Three may slow down investments in 5G base stations after achieving a high penetration of 5G network and shift the investments to 5G applications and development of digital economy. For example, China Mobile expects total capital expenditure of RMB183.2 billion in 2023, of which 5G-related capital expenditure will be approximately RMB83.0 billion.

OVERVIEW OF DIGITALISATION SOLUTION SERVICES INDUSTRY IN THE PRC AND JIANGXI PROVINCE

The PRC government has been actively promoting the development of smart cities in the recent decade. In 2012, the Ministry of Housing and Urban-Rural Development issued the Interim Management Measures Management Guideline for Pilot National Smart City (國家智慧城市試點暫行管理辦法) to encourage the development of the smart cities. Together with the Guideline for Healthy Development of Smart Cities (關於促進智慧城市健康發展的指導意見) issued by the National Development and Reform Commission (NDRC) in 2014. Smart city is defined as the use of data and technology in upgrading infrastructure that brings more efficient life to people.

Digitalisation solution services refer to the turnkey solution from planning, developing, installing, and optimising the hardware and software that integrates physical infrastructure, information infrastructure, social infrastructure, and commercial infrastructure, encompassing an area's population, transportation assets, energy resources, commercial activity, and communications. This involves the application of traditional technologies including digitalisation, information and communication technology (ICT) to design system that connects different infrastructures for collection of data and operation of infrastructure, as well as the use of advanced technologies such as the Internet of Things (IoT), cloud computing, and Artificial Intelligence (AI) for real-time data collection, real-time incident response, rapid analytics and automated decision making.

The concept of digitalisation solution services refers to an integration of physical infrastructure, information infrastructure, social infrastructure, and commercial infrastructure, encompassing an area's population, transportation assets, energy resources, commercial activity, and communications with the use of information and communication technology (ICT) as well as the advanced technologies such as the Internet of Things (IoT), cloud computing, and Artificial Intelligence (AI) for decision making optimisation. Digitalisation applications can generally be categorised into the following scenarios:

Industry vertical digitalisation applications	Examples
Digital urban management	Digital city governance, digital public facilities management, automated energy control, traffic management, etc.
Digital industrial management	Automated manufacturing, predictive maintenance and AI robotics, etc.
Digital healthcare	Digital appointment, electronic health record, digitalisation in hospitals, AI diagnosis and remote diagnosis, etc.
Digital government	Digital appointments of public services, digital payment, and digitalisation of administration process, etc.
Digital grain depot	Unattended monitoring of grain depot including energy management, environmental controls and security systems etc.
Digital education	Remote learning, machine learning-powered personalised learning, classroom management, school safety management
Digital management	Digital staff management, digital and automated supply chain management, advanced operation analytics and management
Digital surveillance	Surveillance system with advanced analytics for crime prevention, accident prevention and traffic management, etc.
Digital finance	Cloud-based audit, digital banking, fraud detection with big data analytics, customer services with AI chatbot, insurance underwriting with machine learning, etc.
Digital telecommunications construction	Digital procurement, supply chain management, digital project and budget management, equipment damage detection, etc.

AI technology in digitalisation solution services

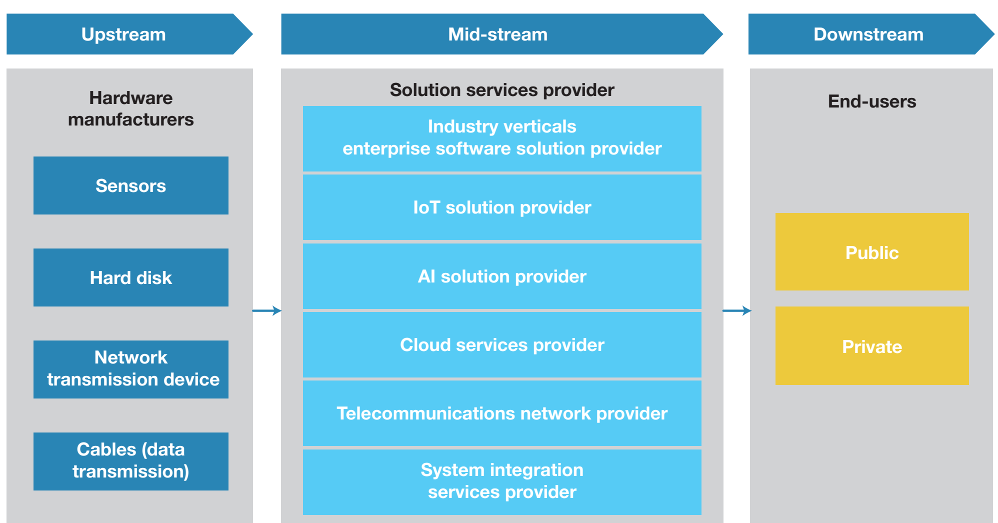
AI technology can be broadly categorised into "discriminative AI" and "generative AI". Discriminative AI is a type of AI model which mainly focuses on data classification and statistical analysis based on given parameters or examples. Generative AI is a more advanced form of AI model which is to create new data and content that the model has been trained on, and provide a window into the intricate structures within the data, allowing for creative data generation and synthesis.

Discriminative AI models are widely adopted in digitalisation solutions and used in tasks such as image recognition, language processing, fraud detection, automation, prediction and recommendation systems. As opposed to the advanced forms of AI (such as generative AI), discriminative AI is a more basic form of AI which simply analyses the patterns or features in the input data with relatively higher reliability and accuracy.

Value chain

The industry value chain for the digitalisation solution services industry in the PRC and Jiangxi Province typically consists of hardware manufacturers, solution services providers and end-users.

Value chain of the digitalisation solution services industry



Source: Ipsos research and analysis

Digitalisation solution services providers provide turnkey solutions for clients by integrating hardware and software solution. The process involves site planning, customised software system design, hardware and software installation, solution system testing and maintenance. Solution services providers are further categorised according to the core capability of the services providers:

- Industry verticals enterprise software solution providers provide industry-specific digital solutions to assist end users in managing different management issues such as information management, data analysis and customer services.

- IoT solution providers develop the solution platform that connects the devices with other devices and systems for the exchange of data and remote control. Similar to AI solution providers, IoT solution providers develop industry specific digitalisation applications.

- AI solution providers adopt deep learning frameworks to simulate human thought and develop solutions for different industry verticals to assist and optimise decision-making.

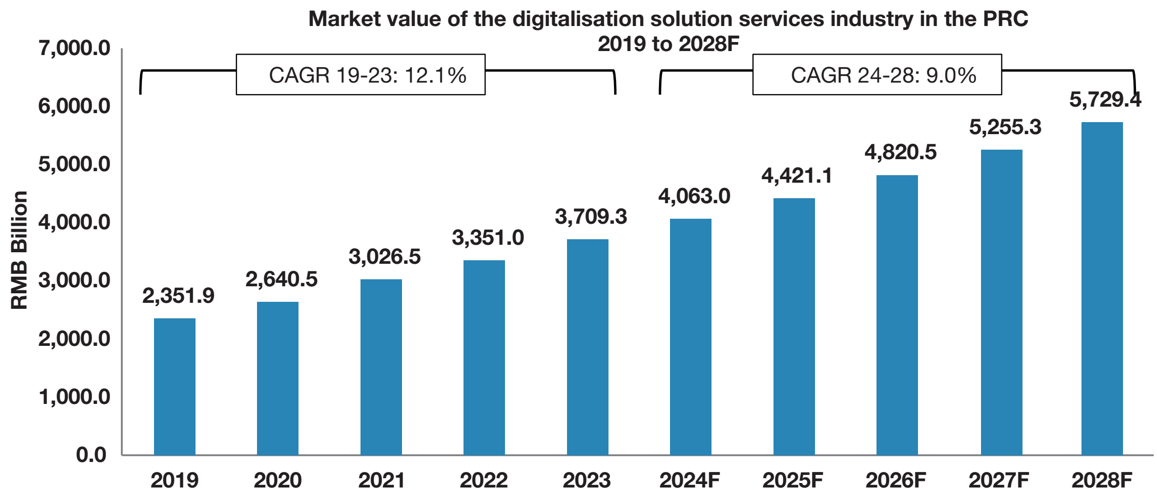
- Cloud services providers provide the digital storage and analysis system for data. Cloud technology enables convenient, on-demand network access to a shared pool of configurable computing resources, such as networks, servers, storage, applications, and services.

- Telecommunications network provider refers to the Big Three that provides telecommunications network services to support data transmission.

- System integration services providers provide digitalisation turnkey solutions without owning any proprietary solutions, cloud services and telecommunications. Often they are commissioned or subcontracted by other solution services providers to implement the solution. Their main solutions include site planning, designing a customised software architecture or application, installing of hardware and software, and testing and optimising the systems.

The market value of the digitalisation solution services industry in the PRC and Jiangxi Province

The following chart sets out the market value of the digitalisation solution services industry in the PRC:



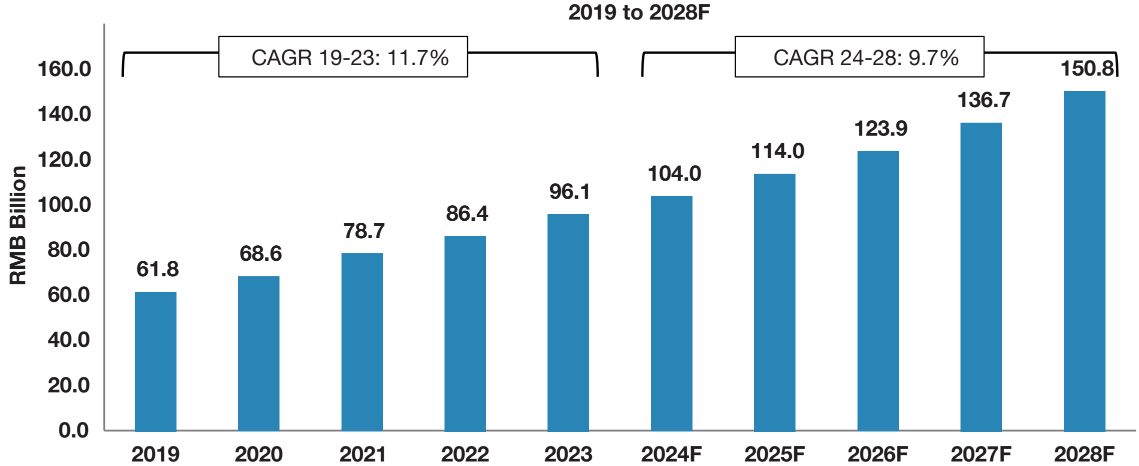
Notes: The above market value includes digitalisation solution services of digital urban management, digital industrial management, digital healthcare, digital government, digital grain depot, digital management, digital surveillance, digital finance, digital telecommunications construction and digital education

Sources: Ipsos research and analysis

The market value of the digitalisation solution services industry in the PRC grew from approximately RMB2,351.9 billion in 2019 to approximately RMB3,709.3 billion in 2023, at a CAGR of approximately 12.1%. Various urban infrastructure digitalisation projects have been launched for city governance, for example, the "Safe and Smart Community" project in Wuhan, leveraged IoT and AI technology to collect real-time data on access control systems, and water pressure, etc., to automate and actively control security in the community. The market value of the digitalisation industry in the PRC is estimated to grow from approximately RMB4,064.0 billion in 2024 to approximately RMB5,729.4 billion in 2028, at a CAGR of approximately 9.0%. The 14th Five-year Plan for National Informatisation(“十四五”國家信息化規劃) aims to accelerate the development of city infrastructure digitalisation applications such as public transport, healthcare, and education by 2025.

The following chart sets out the market value of the digitalisation solution services industry in Jiangxi Province:

Market value of the digitalisation solution services industry in Jiangxi Province 2019 to 2028F



Notes: The above market value includes digitalisation solution services of digital urban management, digital industrial management, digital healthcare, digital government, digital grain depot, digital management, digital surveillance, digital finance, digital telecommunications construction and digital education

Sources: Ipsos research and analysis

The digitalisation solution services industry in Jiangxi Province has experienced significant growth, with its market value increasing from approximately RMB61.8 billion in 2019 to approximately RMB96.1 billion in 2023, representing a CAGR of approximately 11.7%. It is expected that the market will continue to expand from approximately RMB104.0 billion in 2024 to approximately RMB150.8 billion in 2028, at a CAGR of approximately 9.7%. To drive the development of the digital economy, Jiangxi Province has issued the Three-Year Digital Economy Development Plan (2020-2022)(數字經濟發展三年行動計劃(2020-2022年)). This policy emphasises the enhancement of Jiangxi Province's position as a digital economy hub. The provincial government has actively sought to attract technology talents who can contribute to the advancement of industrial digitalisation in Jiangxi Province. Furthermore, the integration of government and company surveillance data is encouraged, with the aim of establishing a comprehensive data platform in the province. IoT plays a crucial role in digitalisation, and the development plan set to accelerate the IoT application on urban management, industrial management and tourism. Investments have been directed towards promoting AI products and supporting Nanchang as the primary city for the IoT industry. These factors collectively contribute to the growth of the digitalisation solution services industry in Jiangxi Province.

COMPETITIVE ANALYSIS OF THE DIGITALISATION SOLUTION SERVICES INDUSTRY IN THE PRC AND JIANGXI PROVINCE

Industry structure

It is estimated that there are more than 21,500 digitalisation solution services providers in the PRC. It is estimated that the Group's market share in the digitalisation solution services industry in Jiangxi Province in 2023 is approximately 0.11% and in the PRC is approximately 0.003%. The Group's market share in the digitalisation solution services industry in both the PRC and Jiangxi Province is comparatively insignificant. Considering the emerging demand of digitalisation for smart cities development in the PRC, a growing number of upstream companies tend to diversify their revenue by offering turnkey services on top of provision of hardware. The industry is also highly fragmented, with top players dominating in different provinces. Companies have their geographical focus, which they diversify their business in various provinces to provide localised aftersales services.

Key factors of competition

R&D capability with constant innovation: The market demand for digitalisation solution services has been rising. Companies in the digitalisation solution services industry differentiate themselves from competitors in the following two ways. Industry players must recruit and retain technical talents capable of innovating and developing new digitalisation solutions that meet evolving needs of end-users. In addition, as technology in the digitalisation solution industry is constantly evolving, industry players need to keep track of the latest trends and developments of advanced technologies and adopt them quickly to stand out from competitors.

Value-added services: On top of providing innovative solutions, value-added services such as maintenance and technical support services, and 24/7 after-sales support services can be decisive factors for end-users in the selection of digitalisation solutions providers. For instance, companies that can offer immediate support to fix malfunctioning solutions or software bugs would prevent the loss of important end-users information. Such value-added services would increase customers' loyalty to the company.

Key drivers and opportunities

Growing urbanisation rate: The PRC government implemented urbanisation policies which created a great initiative for digitalisation solution providers to expand their businesses and fostered the growth of the digitalisation solution services industry. In 2022, The NDRC issued the Key Tasks in New style Urbanisation and Integrated Urban rural Development (新型城鎮化和城鄉融合發展重點任務) to drive the expansion of digitalised infrastructure into rural areas.

Policies on smart city development: The China's 14th Five-Year Plan (2021-2025) (“十四五”規劃 (2021-2025)) placed its focus on building China into a self-reliant technological powerhouse that bolstered the development of the digitalisation solution services industry. Two of the main goals of the 14th Five-Year Plan focus on supporting the R&D of midstream manufacturers and the development of smart cities, smart communities and smart homes. The plan has also put forward higher standards for digitalisation solutions. China continued its existing 75% R&D expense deduction policy for enterprise income tax. The policy has been beneficial for IT industries and offered a 100% expense deduction for R&D manufacturing companies. The policies drove digitalisation solution services companies such as AI, IoT and big data companies to increase their R&D expenses and thus innovate digitalisation solutions.

In 2022, Jiangxi issued the 14th Five-year Digital Economy Development Plan in Jiangxi Province(關於印發江西省「十四五」數字經濟發展規劃的通知). The plan is set to continuously upgrade the digital infrastructure to accelerate the digital transformation of different industries in Jiangxi Province.

Threats and challenges

Uncertain AI accuracy: Despite recent investments put into AI development and its applications in digitalisation solutions, industry players raise concerns about the accuracy fallacy of AI technology. Although the accuracy rate of discriminate AI is normally 80%, AI algorithms might not be sophisticated to the extent of ensuring 100% accuracy in identifying critical transportation accidents or criminals. There might be underreporting risks in delivering promises to the end-users such as the government and police. Some end-users tend to seek an optimised accuracy of AI and currently might not have confidence in implementing AI-driven digitalisation solutions on a full scale.

Competitions from upstream manufacturers: Given that the demand for turnkey digitalisation solutions has been surging recently, upstream manufacturers such as Huawei extend their operations by not only manufacturing basic hardware components but also providing system integration and maintenance services. They aim to achieve economies of scale and diversify their revenue stream. They might shrink the available customer base and hence decrease the market share of existing solutions services providers.

Entry barriers

High cost of investment: Since technology is constantly evolving, high capital investment is required for enhancing technologies, developing innovative solutions, training IT talents and obtaining intellectual property. New entrants or start-ups need to invest a large amount of capital to invent leading solutions so that they can compete with competitors who have gained a certain market share in the digitalisation solution services industry.

In some of the digitalisation solution services projects, system integration services providers are also required to source and purchase the hardware equipment without advance payment from the customers. Cash flow requirements is high for companies in the industry to operate the business and ensure completion of the project.

Talent competition: The success of innovative digitalisation solutions highly relies on the technical talents to conduct research and develop new solutions that meet end-users' needs. It is important for these IT professionals to develop innovative solutions to meet the three to five years product lifecycle. Not only do they need to equip with theoretical knowledge of technologies like AI, IoT and 5G, but they also need to have gained rich working experience in the industry. Due to the competitive remuneration and reputation of scalable industry players, most of the top professionals devote their efforts to these existing industry players. It is challenging for new entrants to acquire top talents and form their R&D teams in the short term.

Our business operations are primarily conducted in the PRC and are subject to extensive supervision and regulation of the government of the PRC. This section provides an overview of the key laws, regulations and legislation affecting key aspects of our business.

REGULATIONS RELATING TO THE COMMUNICATION TECHNOLOGY SERVICES INDUSTRY

Pursuant to the Provisions on Supervision and Administration of Quality of Communication Construction Projects (《通信建設工程質量監督管理規定》) promulgated by the Ministry of Industry and Information Technology on 17 May 2018, construction units, survey units, design units, architectural units and supervision units of communication construction projects shall comply with the laws and regulations and relevant requirements on engineering and construction, fulfill their responsibilities and obligations in relation to the quality and be responsible for the same of construction projects.

Pursuant to the Measures for the Administration of Telecommunications Business License (《電信業務經營許可管理辦法》) promulgated by the Ministry of Industry and Information Technology on 3 July 2017, the strengthening of the management of telecommunications business license is proposed, and relevant provisions on the application, approval and use of telecommunications business license, regulation of business conduct, change and cancellation of business license and supervision and inspection of business license are provided.

Pursuant to the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) promulgated by the Standing Committee of the National People's Congress on 7 November 2016, the construction or operation of a network or provision of services through a network shall, in accordance with the provisions of laws and administrative regulations and the mandatory requirements of national standards, take technical measures and other necessary measures to ensure the safe and stable operation of the network, effectively respond to network security incidents, prevent network illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data.

Pursuant to the Regulations on the Management of Qualification for Construction Enterprises (《建築業企業資質管理規定》) promulgated by the Ministry of Housing and Urban-Rural Development on 22 January 2015 and amended on 13 September 2016 and 22 December 2018 the competent department of housing and urban-rural development under the State Council is responsible for the overall supervision and management of qualification for construction enterprise at state level, and an enterprise shall apply for such qualification in accordance with the conditions of its assets, principal personnel, performance of completed projects and technical equipment. After passing the examination and obtaining the qualification certificate of a construction enterprise, the enterprise may engage in construction activities within the scope as permitted under the qualification.

Pursuant to the Measures for the Management of Bidding and Tendering of Communication Engineering Construction Projects(通信工程建設項目招標投標管理辦法》) promulgated by the Ministry of Industry and Information Technology on 4 May 2014, the measures regulate the bidding and tendering activities of communication engineering construction projects in the PRC are provided, the electronic bidding and tendering of communication engineering construction projects in accordance with the Electronic Bidding Measures(《電子招投標辦法》) are encouraged, and the Information Platform for the Administration of Bidding and Tendering of Communication Engineering Projects is established by the Ministry of Industry and Information Technology to implement the informatisation management of bidding and tendering activities of communication engineering construction projects.

Pursuant to the Measures for Supervision and Administration of Telecommunications Network Operation(《電信網絡運行監督管理辦法》) promulgated by the Ministry of Industry and Information Technology on 24 April 2009, the enhancement of supervision and administration over telecommunications network operation is proposed, so as to ensure stable and reliable operation of telecommunications network.

Pursuant to the Measures for the Management of Telecommunications Construction(《電信建設管理辦法》) promulgated by the former Ministry of Information Industry and the National Development and Planning Commission on January 4, 2002, it is proposed to strengthen the overall planning and industry management of telecommunications construction, and promote the healthy and orderly development of the telecommunications industry, which applies to the new construction, reconstruction and expansion of public telecommunications networks, private telecommunications networks and radio and television transmission networks within China.

Pursuant to the Administrative Regulations on Telecommunications of the PRC(《中華人民共和國電信條例》) promulgated by the State Council on 25 September 2000 and amended on 29 July 2014 and 6 February 2016 respectively, it is proposed to regulate the order of the telecommunications market, safeguard the legitimate rights and interests of telecommunications users and telecommunications business operators, ensure the security of telecommunications networks and information, and promote the healthy development of the telecommunications industry.

REGULATIONS RELATING TO FOREIGN INVESTMENT

The investment activities of foreign investors in the PRC are mainly regulated by the Catalogue of Industries to Encourage Foreign Investment (2022 Version)(《鼓勵外商投資產業目錄(2022年版)》) issued by the Ministry of Commerce and the NDRC on 27 December 2020 and become effective on 27 January 2021, and the Special Administrative Measures for Foreign Investment Entry (Negative List) (2021 Version)(《外商投資准入特別管理措施(負面清單)(2021年版)》) issued on 27 December 2021 and become effective on 1 January 2022. Industries not included in the Catalogue and the Negative List are generally open to foreign investment, unless explicitly restricted by other Chinese laws and regulations. Pursuant to the Catalogue and the Negative List, the communication technology services sector is generally open to foreign investment.

REGULATIONS RELATING TO FOREIGN EXCHANGE AND OFFSHORE INVESTMENTS

Foreign Exchange

The Administrative Regulations on the Management of Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) is the major regulation governing foreign exchange in China, which was promulgated by the State Council on 29 January 1996 and amended on 14 January 1997 and 5 August 2008, respectively. Under these regulations, payments for regular items (e.g. profit distribution, interest payments and trade and service-related foreign exchange transactions) may be made in foreign currency without the prior approval of the State Administration of Foreign Exchange ("**SAFE**"), subject to certain procedural requirements. Foreign institutions and foreign individuals who make direct investments in the country should register with the foreign exchange authorities after obtaining approval from the relevant authorities.

SAFE promulgated the Notice of State Administration of Foreign Exchange on Further Improvement and Adjustment of Foreign Exchange Management Policies for Direct Investment" (SAFE Circular No. 59)(《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》(國家外匯管理局59號文)) on 19 November 2012 and amended on May 2015. Pursuant to this circular, the opening of various special purpose foreign exchange accounts (e.g. upfront fee account, foreign exchange capital account and margin account), reinvestment of RMB fund by foreign investors in China and remittance of foreign exchange profits and dividends by foreign enterprises to foreign shareholders are no longer subject to approval or verification by SAFE, and the same entity can open multiple capital accounts in different provinces. SAFE promulgated the Regulations on Foreign Exchange Administration of Onshore Direct Investment by Foreign Investors on 10 May 2013, amended on 10 October 2018, 30 December 2019 respectively, specifying that SAFE or its local branches shall manage foreign investors' direct investment in China through registration, and that banks shall handle foreign exchange operations for direct investment in China based on the registration information provided by SAFE or its branches.

Pursuant to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Foreign Exchange Management Policies for Direct Investment (SAFE Circular No. 13)(《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》(國家外匯管理局13號文)) issued by SAFE on 13 February 2015, revised on 30 December 2019, foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment shall be directly examined and processed by banks in accordance with the SAFE Circular No. 13 and its appendix, Operational Guidelines for Foreign Exchange Business of Direct Investment, and SAFE and its branches shall exercise indirect supervision over the foreign exchange registration of direct investments through the above-mentioned banks.

Pursuant to Notice of the State Administration of Foreign Exchange on Reforming the Management of Foreign Exchange Capital Settlement for Foreign Invested Enterprises (SAFE Circular No. 19)(《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》(國家外匯管理局19號文)) issued by SAFE on 30 March 2015, revised on 30 December 2019, 23 March 2023 respectively, foreign invested enterprises may settle foreign exchange capital funds at will pursuant to their actual business needs. Foreign-invested enterprises shall not use the foreign exchange capital funds settled in RMB for (1) expenditure outside the scope of business of foreign-invested enterprises or prohibited by laws and regulations; (2) direct or indirect use for securities investment; (3) granting entrusted loans or repaying inter-enterprise loans; (4) purchasing real estate for non-self use (except for real estate enterprises).

On 9 June 2016, SAFE issued the Notice of State Administration of Foreign Exchange on Reforming and Standardising the Management Policy of Settlement of Capital Items (SAFE Circular No. 16)(《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》(國家外匯管理局16號文)), which reiterates some of the rules contained in SAFE Circular 19. SAFE No. 16 provides that willful remittance is applicable to foreign exchange capital, foreign debt funds and funds repatriated from overseas listings, and that the RMB funds derived from the relevant remittance can be used to grant loans to related parties or repay inter-enterprise loans (including advances to third parties). However, there remains significant uncertainty in practice as to the interpretation and implementation of SAFE Circular 16.

Overseas Investments

Pursuant to the Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration of the Overseas Investment and Financing and Round-trip Investments by Domestic Residents through Special Purpose Vehicles promulgated by SAFE on 4 July 2014 (SAFE Circular No. 37)(《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》(國家外匯管理局37號文)), domestic residents are required to register with the local branch of SAFE in respect of their overseas investment and financing for the purpose of directly established or indirectly controlled overseas enterprises (i.e. special purpose vehicles within the meaning of SAFE Circular No. 37). SAFE Circular No. 37 further stipulates that a special purpose vehicle shall apply for registration of changes after a change in important matters such as capital increase or reduction by domestic individual resident, transfer or replacement of equity interests, and merger or demerger. If the PRC shareholders holding interests in a special purpose vehicle fail to register with SAFE as required, the PRC subsidiary of the special purpose vehicle will be prohibited from distributing dividends to its parent company outside of China and from conducting cross-border foreign exchange activities thereafter, and the special purpose vehicle's ability to inject additional capital into its PRC subsidiary may be restricted. In addition, failure to comply with the above SAFE registration requirements may also result in liability under PRC law for evasion of foreign exchange restrictions.

Pursuant to the SAFE Circular No. 13, the banks will directly examine and handle the foreign exchange registration under overseas direct investment in accordance with SAFE Circular No. 13 and its appendix, Operational Guidelines for Foreign Exchange Business of Direct Investment, and SAFE and its branches will exercise indirect supervision over the foreign exchange registration of direct investment through the above-mentioned banks.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Patent

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the Standing Committee of the National People's Congress on 12 March 1984 and amended on 4 September 1992, 25 August 2000, 27 December 2008 and 17 October 2020, respectively, and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》) promulgated by the State Council on 15 June 2001 and amended on 28 December 2002, 9 January 2010, respectively, the State Intellectual Property Office of the PRC is responsible for the nationwide management of patents, and the patent administration departments of provincial, autonomous region or province-level municipal governments are responsible for the management of patents within their respective administrative region. The patent system in China adopts the first-to-file principle, i.e. if two or more applicants apply for a patent for the same invention or creation, the patent right is granted to the first applicant. To apply for a patent, an invention or utility model must meet three criteria: novelty, inventiveness and practicability. Invention patents are valid for 20 years, while design patents and utility model patents are valid for ten years, from the date of application. A third-party must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of the patent rights.

Trademark

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the Standing Committee of the National People's Congress on 23 August 1982 and amended on 22 February 1993, 27 October 2001, 30 August 2013 and 23 April 2019 respectively, and the Implementation Rules of the Trademark Law of the PRC promulgated by the State Council on 10 March 1983 and amended on 3 August 2002, 29 April 2014 respectively, the Trademark Office under the State Administration for Industry and Commerce is responsible for the registration of trademarks and grants a validity period of ten years for each registered trademark. Trademark registrants may apply for renewal of their registrations, which are valid for the following ten years. A trademark registrant may allow another party to use its registered trademark by entering into a trademark licence contract. The trademark licence contract is required to be filed with the Trademark Office. As far as trademarks are concerned, Chinese trademark law adopts the first-to-file principle in dealing with trademark registrations. An application for registration of a trademark which is identical or similar to a trademark already registered, or preliminarily examined and approved for use by another person in respect of the same goods or services, or similar goods or services may be rejected. Any person applying for registration of a trademark shall not prejudice the existing prior rights of another person, nor shall he/she improperly register a trademark which is already in use by another person, and has a certain degree of influence.

Copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》) promulgated by the Standing Committee of the National People's Congress on 7 September 1990 and amended on 27 October 2001, 26 February 2010 and 11 November 2020, respectively, the creations of Chinese citizens, legal persons or unincorporated organisations, including intellectual works in the fields of literature, art and science that are original and can be expressed in a certain form, are entitled to copyright protection, regardless of whether they are published or not. Copyright holders enjoy a variety of rights, including the right to publish, the right to attribute and the right to reproduce.

Pursuant to the Regulations on the Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on 4 June 1991 and amended on 20 December 2001 and 30 January 2013 respectively, Chinese citizens, legal persons or other organisations are entitled to copyright in software developed by them in accordance with these regulations, regardless of whether it is published or not, and may apply for registration with the software registration agency recognised by the administrative department of copyright under the State Council. Pursuant to the Measures for Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration on 20 February 2002, the state-level copyright administration encourages software registration, and gives priority protection to the registered software. The National Copyright Administration is in charge of the nationwide management of software copyright registration, and the National Copyright Administration recognises the Copyright Protection Center of China as a software registration institution.

Domain Name

Pursuant to the Internet Domain Name Administration Measures (《互聯網域名管理辦法》) promulgated by the Ministry of Industry and Information Technology on 24 August 2017, the Ministry of Industry and Information Technology shall supervise and manage the domain name services nationwide, and the Communications Administration of each province, autonomous region and municipality directly under the Central Government shall supervise and manage the domain name services within its administrative region. In principle, domain name registration services are provided on a "first-applied-first-registered" basis.

REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

In order to mitigate or avoid environmental pollution caused by production and operation activities, enterprises operating in mainland China shall comply with the provisions of various environmental protection laws and regulations. The main Chinese laws and regulations on environmental protection include: the Law of the PRC on Environmental Protection promulgated by the Standing Committee of the National People's Congress on 26 December 1989 and amended on 24 April 2014; the Law of the PRC on Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》) which was promulgated on 5 September 1987 and amended on 29 August 1995, 29 April 2000, 29 August 2015 and 26 October 2018 respectively; the Law of the PRC on Prevention and Control of Noise Pollution (《中華人民共和國噪聲污染防治法》) which was promulgated on 24 December 2021; the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) which was promulgated on 11 May 1984 and amended on 15 May 1996, 28 February 2008 and 27 June 2017 respectively; and the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法》) which was promulgated on 30 October 1995 and amended on 29 December 2004, 29 June 2013, 7 November 2016 and 29 April 2020 respectively.

REGULATIONS RELATING TO TAX

Enterprise Income Tax

The Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) promulgated by the Standing Committee of the National People's Congress on 16 March 2007 and amended on 24 February 2017 and 29 December 2018, respectively, and the Regulations on the Implementation of the Law of the PRC on Enterprise Income Tax promulgated by the State Council on 6 December 2007 and amended on 23 April 2019 (collectively, the "**EIT Law**"), are the main regulations under which the enterprise income tax in China is levied. Pursuant to the EIT Law, all resident enterprises and non-resident enterprises with an establishment or a place of business in China, are subject to an Enterprise Income Tax Law rate of 25%, provided that such income is derived from the establishment or place of business in China, or such income is derived from outside China but has a physical connection with such establishment or place of business. Where a non-resident enterprise does not have an establishment or a place of business in China, or where it has set up an establishment or a place of business, but the income obtained is not effectively connected with such establishment or place of business, it is subject to an enterprise income tax rate of 10% on the income derived from mainland China. A resident enterprise is an enterprise established under the laws of China, or established under the laws of a foreign country or region, but with its "de facto management body" in China.

Pursuant to the Announcement on Certain Issues of Enterprise Income Tax on Indirect Transfer of Property by Non-Resident Enterprises (SAT Announcement No. 7)(《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》(國家稅務總局公告第7號)) issued by SAT on 3 February 2015 and revised in October and December 2017 respectively, where a non-resident enterprise indirectly transfers equity interests and other property of a PRC resident enterprise through the implementation of an arrangement that does not have a reasonable commercial purpose to avoid its enterprise income tax obligations, such indirect transfer transaction shall be re-characterised in accordance with the provisions of Article 47 of the Enterprise Income Tax Law, and be recognised as a direct transfer of equity and other property of a PRC resident enterprise.

Value Added Tax

Pursuant to the Provisional Regulations of the PRC on Value Added Tax (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on 13 December 1993 and amended on 10 November 2008, 6 February 2016 and 19 November 2017 respectively, all units and individuals engaged in the sale of goods, the provision of processing, repair and fitting services, the sale of services, intangible assets, real estate and the import of goods in China shall pay value added tax in accordance with the law. Unless otherwise provided by the State Council, the value added tax rate is 17% for the sale of goods, 11% for the sale of basic telecommunications and construction, and 6% for the sale of services and other intangible assets.

Pursuant to the Notice on Adjustment of Value Added Tax Rates (《關於調整增值稅稅率的通知》) issued by the Ministry of Finance and the State Administration of Taxation on 4 April 2018 and effective on 1 May 2018, for taxpayers who engage in taxable sales of value added tax or import of goods where the tax rates of 17% and 11% were previously applicable, their respective tax rates were adjusted to 16% and 10%.

Pursuant to the Announcement on Policies Relating to the Deepening of Reform of Value Added Tax (《關於深化增值稅改革有關政策的公告》) promulgated by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on 20 March 2019 and effective on 1 April 2019, for taxable sales of value added tax or import of goods, where the tax rate of 16% was previously applied, the tax rate will be adjusted to 13%; and where the tax rate of 10% was previously applied, the tax rate will be adjusted to 9%.

REGULATIONS RELATING TO LABOUR AND SOCIAL SECURITY

Labour

Pursuant to the Labour Law of the PRC (《中華人民共和國勞動法》), the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) and the Administrative Regulations on the Implementation of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), labour relations between employers and employees must be established in written form. The regulations impose strict rules on the establishment of fixed-term employment contracts, the employment of temporary workers and the dismissal of workers by employers. Pursuant to these regulations, employers must ensure that their employees have the right to rest, and must pay them a wage that is not lower than the local minimum wage. Employers who violate the Labour Contract Law of the PRC and the Labour Law of the PRC are liable to fines and other administrative liabilities, in serious cases, criminal liabilities will be pursued.

Social Security

Major laws relating to social security include the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), the Administrative Regulations on Work Injury Insurance (《工傷保險條例》), the Interim Measures on Maternity Insurance for Enterprise Employees (《企業職工生育保險試行辦法》), the Provisional Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費征繳暫行條例》) and the Regulations on the Administration of Housing Provident Fund (住房公積金管理條例》). Chinese enterprises and organisations are required to provide welfare schemes for their employees, including pension insurance, unemployment insurance, maternity insurance, work injury insurance and healthcare insurance, housing provident fund and other welfare schemes.

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated on 28 October 2010 and amended on 29 December 2018, the employer shall apply to the local social insurance agency for social insurance registration within 30 days from the date of its establishment. The employer shall also apply for social insurance registration for its employees with the social insurance agency within 30 days from the date of employment. Any employer who violates the above regulations will be ordered to rectify within a certain period of time, failing which the employer and its directly responsible persons shall be liable for a fine.

On 20 July 2018, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council issued the Programme of Reform of the National Taxation and Local Taxation System (國稅地稅征管體制改革方案》)(hereinafter referred to as the "**Reform Programme**"). The Reform Programme advocates:

1. In accordance with the requirements of creating a new model before abandoning the old model, and no abandonment without creation, adhering to the principles of unified leadership, hierarchical management, overall design and step-by-step implementation, adopting the approach of hang up the plate in the first place and then implementing the "three determinations", merging the national tax and local tax agencies and then taking over the responsibilities of collecting and managing social insurance premiums and non-tax income, and reforming the provincial (autonomous regions, municipalities directly under the central government, and cities under separate state planning, hereinafter collectively referred to as provinces) tax bureaus first, then solidly promoting the reform of the municipal-level (prefectures and leagues, hereinafter collectively referred to as the municipalities) tax bureau and county-level (cities, districts and banners, hereinafter collectively referred to as counties) tax bureau, placing greater emphasis on the implementation of each key works and each of the timing, so as to ensure the completion of the reform tasks by the end of 2018.

2. It is clarified that from 1 January, 2019, the basic pension insurance premiums, basic healthcare insurance premiums, unemployment insurance premiums, work injury insurance premiums, maternity insurance premiums and other social insurance premiums shall be handed over to the taxation department for unified collection.

Housing Provident Fund

Pursuant to the Administrative Regulations on the Management of Housing Provident Fund (《住房公積金管理條例》) implemented on 3 April 1999 and amended on 24 March 2002 and 24 March 2019 respectively, newly established units shall register their housing provident fund contributions at the Housing Provident Fund Management Centre within 30 days from the date of establishment, and then reach out to the entrusted banks to complete the procedures for the establishment of housing provident fund accounts for their employees. If a unit employs an employee, it should register the contribution at the Housing Provident Fund Management Centre within 30 days from the date of employment, and then reach out to the above-mentioned bank to complete the procedures for sealing the housing provident fund account for the employee.

If a unit does not register for housing provident fund contributions, or does not set up housing provident fund accounts for its employees, it shall be ordered to do so within a certain period of time; if it fails to do so after the deadline, it shall be subject to a fine. If a unit fails to pay or underpays its housing provident fund after the deadline, the Housing Provident Fund Management Centre shall order a deadline for payment; if the unit still fails to pay after the deadline, it may apply to the People's Court for enforcement.

REGULATIONS RELATING TO OVERSEAS LISTING

Pursuant to the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**CSRC New Measures**") promulgated by CSRC on 17 February 2023 and effective on 31 March 2023, overseas offerings and listings of a listing applicant must conduct and complete relevant filing procedures with the CSRC if (1) 50% or more of its operating revenue, total profit, total assets or net assets as recorded in its audited consolidated financial statements for the most recent financial year is being accounted for by domestic companies; and (2) the main parts of its business activities are conducted in the PRC, its principal places of business are located in the Mainland China, or the senior management in charge of its business operation and management are mostly Chinese citizens or domiciled in the PRC.

The Directors, the Sole Sponsor, and the PRC Legal Advisers are of the view that the **[REDACTED]** of the Company's Shares is subject to the filing requirements under the CSRC New Measures based on the following reasons:

1. the Group has four subsidiaries incorporated in the PRC. In particular, for the year ended 31 December 2022, substantially all total operating revenue, total profit, and total assets were contributed by its PRC incorporated subsidiaries, of which Zhonggan Communication and GLP Technology were the largest contributors;

2. the Group, with its headquarters in Jiangxi Province of the PRC, is an integrated service provider and software developer. Its core business operations are mainly to provide telecommunications infrastructure services and digitalisation solution services to customers. These businesses are predominantly conducted, managed and located in the PRC; and

3. the executive Directors and senior management are mostly Chinese nationals, and they, together with the senior management team, reside predominantly in the PRC. Their close proximity to the Group's operations in the PRC is important as they play a critical role in the supervision and management of the Group's operations. The executive Directors and senior management team are responsible for the overall management, corporate strategy, planning, business development and control of the Group's operations.

The Company completed the submission of the relevant filing materials to CSRC in accordance with the CSRC New Measures on 5 July 2023, which was within three working days after the submission of the **[REDACTED]** dated 30 June 2023. According to the Statement on Oversea Securities Offering and Listing by Domestic Companies as at 23 July 2023 (Initial public offering and full circulation) (《境內企業境外發行證券和上市備案情況表》(首次公開發行及全流通)(截至2023年7月27日)》) issued by CSRC, the Company's filing materials were accepted by the CSRC on 20 July 2023. The filing by the Company was approved by CSRC on 2 January 2024. As advised by the PRC Legal Advisers, the Company has completed the relevant filings for the application of the **[REDACTED]** and overseas offering, and no further approval from the CSRC is required to be obtained before the **[REDACTED]**.

GENERAL

Zhonggan Communication, a principal operating subsidiary of the Company, was established in 2002 and has become a reputable integrated service provider and software developer headquartered in Jiangxi Province of the PRC and focuses on the provision of Telecommunications Infrastructure Services and Digitalisation Solution Services in the PRC. In 2017, Zhonggan Communication established another principal operating subsidiary of the Company, namely GLP Technology, which has been primarily engaged in the Digitalisation Solution Services since 2018. The Group's decision to enter into the Digitalisation Solution Services business was driven by several key factors. Firstly, there was a significant and growing demand for digitalisation solution services from governments, municipalities, and businesses. This growing demand presented a lucrative opportunity for the Group to leverage its expertise in and meet the evolving needs of customers. In addition, government policies and initiatives to promote the development of smart cities created a favorable environment for the Group to provide related services. These policies provided support and incentives, paving the way for the Group to enter into the digitalisation solution services industry. Furthermore, the Directors recognised synergies between the Group's Telecommunications Infrastructure Services and the Digitalisation Solution Services. The Group's technological expertise in wireless communications, network management, and IoT connectivity could be effectively applied to develop and deploy innovative digitalisation solutions. This ability to leverage its knowledge and expertise of telecommunications infrastructure has enabled the Group to create tailored solutions that meet the specific needs of its customers. The Group's established customer base from its Telecommunications Infrastructure Services provided cross-selling opportunities. By offering its Digitalisation Solution Services, the Group has expanded its reach and maximised value for both segments. In addition to these driving factors, the Group sought to gain a competitive advantage and diversify its offerings. By entering the digitalisation solution services industry, the Group sought to differentiate itself from competitors and develop new revenue streams. This strategic move enabled the Group to capitalise on market opportunities and drive sustainable growth.

The Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 20 April 2022. As part of the Reorganisation, the Company became the holding company of the Group for the purpose of the **[REDACTED]** with its businesses conducted through its subsidiaries. See section headed "Reorganisation" in this section for further details.

MAJOR MILESTONES

Date	Event
2002	Zhonggan Communication, one of the Company's principal operating subsidiaries, was established.
2003	Customer A became the Group's customer.
2014	The Group was recognised as Excellent Business Partner*(優秀合作夥伴)by Customer A and continued to be recognised by Customer A as Excellent Business Partner*(優秀合作夥伴)or Excellent Cooperation Unit*(優秀合作單位)in 2018, 2019, 2020 and 2022.
2015	Customer C became the Group's customer.
	Zhonggan Communication was first recognised as a High and New Technology Enterprise*(高新技術企業).
2016	Customer D became the Group's customer.
2017	Shares of Zhonggan Communication became quoted on NEEQ.
	GLP Technology, one of the Company's principal operating subsidiaries, was established.
	The Group was recognised as Best Business Partner*(最佳合作夥伴)by Customer C.
	Zhonggan Communication was inducted as a member of the China Association of Communication Enterprises(中國通信企業協會).
2018	The Group began to provide Digitalisation Solution Services.
	The Group was recognised as Jiangxi Province Security Technology to Guard Against Industry Top Ten Brands Selected Online in Year 2018*(2018年度江西省安防行業網絡評選十大品牌).
2019	Shares of Zhonggan Communication ceased quotation from NEEQ.
	Customer B became the Group's customer.
	The Group was recognised as Nanchang High-Tech Industrial Development Zone – Outstanding Contribution Enterprise of the Zone in Year 2018*(2018年度南昌高新技術產業開發區–園區突出貢獻企業)by Nanchang High-Tech Industrial Development Zone Management Committee*(南昌高新技術產業開發區管理委員會)and the Working Committee of Nanchang High-Tech Industrial Development Zone of the Communist Party of China*(中共南昌高新技術產業開發區工委).

Date	Event
2020	GLP Technology was first recognised as a High and New Technology Enterprise (高新技術企業).
2021	The Group was recognised as Nanchang High-Tech Industrial Development Zone – Outstanding Contribution Enterprise of the Zone in Year 2020* (2020年度南昌高新技術產業開發區–園區突出貢獻企業) by Nanchang High-Tech Industrial Development Zone Management Committee* (南昌高新技術產業開發區管理委員會) and the Working Committee of Nanchang High-Tech Industrial Development Zone of the Communist Party of China* (中共南昌高新技術產業開發區工委).
2023	GLP Software qualified as a Double-soft Enterprise* (雙軟企業).

SUBSIDIARIES

As of the Latest Practicable Date, the Company had eight directly and indirectly owned subsidiaries and one branch office in Shanghai and the details of which (except the investment holding companies) are set out below:

1. Zhonggan Communication

Zhonggan Communication was incorporated by Mr. Liu Haoqiong, his brother, Mr. Liu Haopeng and Ms. Tao Xiulan as a limited liability company in the PRC on 23 May 2002 in the name of Jiangxi Province Zhonggan Communication Engineering Co., Ltd.* (江西省贛通通信工程有限公司). Upon incorporation, the registered capital of Zhonggan Communication was RMB1,000,000, of which each of Mr. Liu Haoqiong, Mr. Liu Haopeng and Ms. Tao Xiulan had contributed RMB250,000, RMB250,000 and RMB500,000, respectively at the time of incorporation.

Following a series of equity transfers and capital increases between September 2007 and December 2015, the registered capital of Zhonggan Communication had increased from RMB1.0 million to RMB30.0 million, which was owned as to 51.0% by Mr. Liu Haoqiong, and as to 49.0% by Ms. Tao Xiulan. On 16 June 2016, Ms. Tao Xiulan entered into equity transfer agreements with Yue Da Investment and Ying Hua Investment, respectively, pursuant to which Ms. Tao Xiulan transferred (i) 15.0% of equity interest in Zhonggan Communication to Yue Da Investment at a consideration of RMB11.69 million and (ii) 3.0% of equity interest in Zhonggan Communication to Ying Hua Investment at a consideration of RMB2.33 million. The consideration was determined based on the net asset value of Zhonggan Communication as at 31 December 2015. Upon completion of the aforesaid transfers, Zhonggan Communication was owned as to approximately 51.0% by Mr. Liu Haoqiong, as to approximately 31.0% by Ms. Tao Xiulan, as to approximately 15.0% by Yue Da Investment and as to approximately 3.0% by Ying Hua Investment. Yue Da Investment was an Independent Third Party. Ying Hua Investment was an employee shareholding platform at that time. Since July 2020, Ying Hua Investment has been held as to approximately 97.14% by Mr. Wang Jian (王戩) and as to remaining approximately 2.86% by Mr. Liu Lu (劉鹿), both Independent Third Parties, and is currently an Independent Third Party.

Conversion to joint stock company

On 3 August 2016, in anticipation of the listing of its shares on the NEEQ, the then equity holders of Zhonggan Communication unanimously resolved to convert Zhonggan Communication into a joint stock company. Upon completion of the conversion on 25 August 2016, the share capital of Zhonggan Communication was RMB30.0 million divided into 30,000,000 shares of RMB1.00 each, of which Mr. Liu Haoqiong, Ms. Tao Xiulan, Yue Da Investment and Ying Hua Investment held 15,300,000 shares, 9,300,000 shares, 4,500,000 shares and 900,000 shares, representing approximately 51.0%, 31.0%, 15.0% and 3.0% of the share capital of Zhonggan Communication, respectively. On the same date, Zhonggan Communication changed its name to Jiangxi Gantong Communication Co., Ltd.*（江西贛通通信股份有限公司）.

Listing of shares on NEEQ

On 25 January 2017, all issued shares of Zhonggan Communication were listed and quoted for trading on NEEQ (delisted, previous stock code: 870720). Following the listing and quoted for trading of the shares of Zhonggan Communication on NEEQ, in order to introduce market makers in preparation for the change of trading mechanism from transfer by agreement to market making and due to the transferors' own capital needs, a series of share transfers took place between October and November 2017. After such transfers, the then shareholders of Zhonggan Communication were as follows:

Name of shareholders	**Number of shares held**	**Shareholding percentage (approx.)**
		(%)
Mr. Liu Haoqiong	15,298,000	51.0
Ms. Tao Xiulan	8,702,000	29.0
Yue Da Investment	4,500,000	15.0
Ying Hua Investment	700,000	2.3
Bank of China International Securities Co., Ltd.*（中銀國際證券股份有限公司）("**BOC International Securities**")*(Note)*	400,000	1.3
Nanjing Securities Co., Ltd.*（南京證券股份有限公司）("**Nanjing Securities**")*(Note)*	200,000	0.7
Zhongshan Securities Co., Ltd.*（中山證券有限責任公司）("**Zhongshan Securities**") *(Note)*	200,000	0.7
Total	30,000,000	100.0

Note: Each of BOC International Securities, Nanjing Securities and Zhongshan Securities is a market maker and an Independent Third Party.

Increase of registered capital

On 10 May 2018, the then shareholders of Zhonggan Communication resolved for Zhonggan Communication to issue (i) 5.10 bonus shares for every 10 existing shares held by a shareholder to capitalise the undistributed profits of RMB15,478,597.80 as of 31 December 2017, and (ii) 1.57 bonus shares for every 10 existing shares held by a shareholder by way of conversion of capital reserve of RMB14,085,198.89 as of 31 December 2017. As a result, the registered capital of Zhonggan Communication increased from RMB30,000,000 to RMB50,010,000 and the number of shares held by the shareholders of Zhonggan Communication increased on a pro rata basis upon completion of such bonus issue.

As at 30 May 2018, the then shareholders of Zhonggan Communication were as follows:

Name of shareholders	Number of shares held	Shareholding percentage (approx.)
		(%)
Mr. Liu Haoqiong	25,501,766	51.0
Ms. Tao Xiulan	14,506,234	29.0
Yue Da Investment	7,501,500	15.0
Ying Hua Investment	1,166,900	2.3
BOC International Securities	666,800	1.3
Nanjing Securities	333,400	0.7
Zhongshan Securities	333,400	0.7
Total	50,010,000	100.0

Change of trading mechanism to market making

On 29 November 2018, the trading mechanism of the Zhonggan Communication's shares was changed from transfer by agreement to market making, with the market makers being Nanjing Securities and BOC International Securities. Zhonggan Communication subsequently underwent a series of share transfers from November 2018 to May 2019. As at 20 May 2019, the shareholding structure of Zhonggan Communication was as follows:

Name of shareholders	Number of shares held	Shareholding percentage (approx.)
		(%)
Mr. Liu Haoqiong	25,504,766	51.0
Ms. Tao Xiulan	13,975,634	27.9
Yue Da Investment	7,501,500	15.0
BOC International Securities	1,463,800	2.9
Ying Hua Investment	1,168,900	2.3
Nanjing Securities	333,400	0.7
Mr. Xu Xingxiang (徐興祥) ("**Mr. Xu**") *(Note)*	60,000	0.1
Chen Xiaori (陳曉日) ("**Chen**") *(Note)*	1,000	0.0
Xiamen Dingsheng Zhicheng Enterprise Management Co., Ltd. * (廈門鼎盛至誠企業管理有限公司) ("**Xiamen Dingsheng**") *(Note)*	1,000	0.0
Total	50,010,000	100.0

Note: Each of Mr. Xu, Chen and Xiamen Dingsheng is an Independent Third Party.

Further increase of registered capital

On 21 June 2019, the then shareholders of Zhonggan Communication resolved for Zhonggan Communication to issue (i) 2.80 bonus shares for every 10 existing shares held by a shareholder to capitalise the undistributed profits of RMB14,497,757.81 as of 31 December 2018, and (ii) 1.80 bonus shares for every 10 existing shares held by a shareholder by way of conversion of capital reserve of RMB9,375,198.89 as of 31 December 2018. As a result, on 21 June 2019, the then shareholders of Zhonggan Communication further resolved to increase the registered capital of Zhonggan Communication from RMB50,010,000 to RMB73,014,600 and the number of shares held by the shareholders of Zhonggan Communication was increased on a pro rata basis upon completion of such bonus issue. A series of transfers then took place during June 2019 and the shareholding structure of Zhonggan Communication as at 21 June 2019 was as follows:

Name of shareholders	Number of shares held	Shareholding percentage (approx.)
		(%)
Mr. Liu Haoqiong	37,236,959	51.0
Ms. Tao Xiulan	22,260,425	30.5
Yue Da Investment	10,952,190	15.0
Ying Hua Investment	1,706,594	2.3
Sunny Hanmy[(Note)]	729,000	1.0
Mr. Xu[(Note)]	87,600	0.1
BOC International Securities	30,608	0.0
Nanjing Securities	10,224	0.0
Shenzhen Beiwosi Investment Co., Ltd.* (深圳貝沃思投資有限公司)("**SZ Beiwosi**")[(Note)]	1,000	0.0
Total	73,014,600	100.0

Note: Each of Sunny Hanmy, Mr. Xu and SZ Beiwosi was an Independent Third Party.

Transfers of shares of Zhonggan Communication following the NEEQ Listing Withdrawal

At an extraordinary general meeting of Zhonggan Communication held on 21 June 2019, the NEEQ Listing Withdrawal was approved by the majority shareholders. As part of the arrangements for the NEEQ Listing Withdrawal, on 24 June 2019, Ms. Tao Xiulan had undertaken to purchase such number of shares of Zhonggan Communication at such prices from the then minority shareholders of Zhonggan Communication, so that those shareholders could realise their investments in Zhonggan Communication after the NEEQ Listing Withdrawal without incurring any loss as compared with their investment cost. On 9 August 2019, the NEEQ Listing Withdrawal became effective. For details, please refer to paragraphs headed "Listing on NEEQ and NEEQ Listing Withdrawal" in this section.

Such undertakings resulted in various transfers of the shares of Zhonggan Communication which took place between June to August 2019, pursuant to which Ms. Tao Xiulan entered into separate share transfer agreements with each of Mr. Xu, BOC International Securities, Nanjing Securities and SZ Beiwosi and purchased 87,600 shares from Mr. Xu at RMB2.86 per share, 30,608 shares from BOC International Securities at RMB2.02 per share, 10,224 shares from Nanjing Securities at RMB2.03 per share, and 1,000 shares from SZ Beiwosi at RMB2.00 per share, based on their respective investment costs. After completion of the above transfers, the shareholders of Zhonggan Communication were as follows:

Name of shareholders	Number of shares held	Shareholding percentage (approx.)
		(%)
Mr. Liu Haoqiong	37,236,959	51.0
Ms. Tao Xiulan	22,389,857	30.7
Yue Da Investment	10,952,190	15.0
Ying Hua Investment	1,706,594	2.3
Sunny Hanmy	729,000	1.0
Total	73,014,600	100.0

Share repurchase and reduction of capital

Further to the NEEQ Listing Withdrawal and due to the uncertainty as to the listing plan of Zhonggan Communication at that time, Yue Da Investment decided to realise its investment in Zhonggan Communication. Subsequent to the commercial negotiation between Zhonggan Communication and Yue Da Investment, on 6 September 2019, Zhonggan Communication and the then shareholders of Zhonggan Communication entered into a capital reduction agreement with Yue Da Investment, pursuant to which Zhonggan Communication repurchased 15.0% of its shares, which were held by Yue Da Investment, at RMB15,762,400 (i.e. RMB1.44 per share). Subsequently, on 28 November 2019, Zhonggan Communication held an extraordinary general meeting, in which the aforesaid repurchase by Zhonggan Communication was approved. The consideration was determined with reference to the net book value per share of Zhonggan Communication as at 30 June 2019, and the then valuation of listed companies in the similar industry on the Hong Kong Stock Exchange. The consideration was fully settled in February 2020. Following the repurchase, Zhonggan Communication's registered capital was reduced from RMB73,014,600 to RMB62,062,410 and the then shareholders of Zhonggan Communication were as follows:

Name of shareholders	Number of shares held	Shareholding percentage (approx.)
		(%)
Mr. Liu Haoqiong	37,236,959	60.0
Ms. Tao Xiulan	22,389,857	36.1
Ying Hua Investment	1,706,594	2.7
Sunny Hanmy	729,000	1.2
Total	62,062,410	100.00

Transfer of shares to Ms. Wang Wenchun and the management

On 26 February 2020, Ms. Tao Xiulan entered into separate share transfer agreements to transfer 2,172,185 shares, 1,861,872 shares and 1,551,560 shares of Zhonggan Communication, representing 3.5%, 3.0% and 2.5% of Zhonggan Communication's shares held by her to Mr. Xiao Wei (肖衛), Ms. Wang Wenchun (汪文春) and Mr. Zhou Zhiqiang (周志強), respectively, at a consideration of RMB25,197,346, RMB21,597,800 and RMB17,998,100, respectively. The consideration was determined based on an agreed valuation of RMB720,000,000 (i.e. RMB11.6 per share). Mr. Xiao Wei was then an employee of Zhonggan Communication and is currently the supervisor of Gantong Jiangxi; Ms. Wang Wenchun was and is an Independent Third Party and Mr. Zhou Zhiqiang was the chief financial officer of Zhonggan Communication and is currently an executive Director of the Company and the director of Gantong Xiamen.

On the same date, Mr. Liu Haoqiong entered into a share transfer agreement to transfer 2,482,496 shares of Zhonggan Communication, representing 4.0% of Zhonggan Communication's shares to Mr. Peng Shengqian, a director of Zhonggan Communication at a consideration of RMB28,797,000 which was determined based on an agreed valuation of RMB720,000,000 (i.e. RMB11.6 per share) taking into account the business performance of Zhonggan Communication in 2019 and its future prospects.

Further, as part of a family arrangement, on the same date, Mr. Liu Haoqiong transferred 2,172,185 shares and 2,172,185 shares, representing 3.5% and 3.5% of Zhonggan Communitarian's shares, to Mr. Liu Dingli and Mr. Liu Dingyi at a consideration of RMB2,172,185 and RMB2,172,185, respectively.

Investment by Gao Xin Hang Chuang and increase of registered capital

On 23 June 2020, in anticipation of the previous plan for A-share listing, details of which are set out at "Listing on NEEQ and NEEQ Listing Withdrawal – Previous plan for A-share listing" in this section, Zhonggan Communication Mr. Liu Haoqiong and Ms. Tao Xiulan entered into the capital increase agreement with Nanchang Gao Xin Hang Chuang Ying Shan Hong Industrial Investment Partnership (Limited Partnership)* (南昌高新航創映山紅產業投資合夥企業(有限合夥)) ("**Gao Xin Hang Chuang**"), an Independent Third Party, pursuant to which Gao Xin Hang Chuang agreed to subscribe for 3,200,862 shares in Zhonggan Communication for cash consideration of RMB37,130,000, of which RMB3,200,862 was contributed to the registered capital and the remaining RMB33,929,138 was converted into capital reserve. The consideration was determined based on an agreed valuation of RMB720,000,000 (i.e. RMB11.6 per share). On the same date, Mr. Liu Haoqiong and Ms. Tao Xiulan entered into a repurchase agreement with Gao Xin Hang Chuang, which provides, amongst others, that Gao Xin Hang Chuang was entitled to require Zhonggan Communication to repurchase 3,200,862 shares of Zhonggan Communication upon occurrence of certain triggering events. On 24 June 2020, at the annual general meeting of Zhonggan Communication, it was resolved that Zhonggan Communication would increase the registered capital from RMB62,062,410 to RMB65,263,272.

Following the above share transfers and capital increase, the then shareholders of Zhonggan Communication were as follows:

Name of shareholders	Number of shares held	Shareholding percentage (approx.)
		(%)
Mr. Liu Haoqiong	30,410,093	46.6
Ms. Tao Xiulan	16,804,240	25.7
Gao Xin Hang Chuang	3,200,862	4.9
Mr. Peng Shengqian	2,482,496	3.8
Mr. Liu Dingli	2,172,185	3.3
Mr. Liu Dingyi	2,172,185	3.3
Mr. Xiao Wei	2,172,185	3.3
Ms. Wang Wenchun	1,861,872	2.9
Ying Hua Investment	1,706,594	2.6
Mr. Zhou Zhiqiang	1,551,560	2.4
Sunny Hanmy	729,000	1.1
Total	65,263,272	100.0

Transfer of shares from Mr. Liu Haoqiong to Rui Da Xin Tao

On 23 June 2020, in anticipation of the previous plan for A-share listing, details of which are set out at "Listing on NEEQ and NEEQ Listing Withdrawal – Previous plan for A-share listing" in this section, Mr. Liu Haoqiong, Ms. Tao Xiulan and Zhonggan Communication entered into a share transfer agreement with Rui Da Xin Tao, an Independent Third Party, pursuant to which Mr. Liu Haoqiong transferred 863,000 shares, representing approximately 1.3% of the shares in Zhonggan Communication, to Rui Da Xin Tao for a cash consideration of RMB10,010,800 (the "**June 2020 Agreement**"). The consideration was determined with reference to the consideration paid by Gao Xin Hang Chuang i.e. RMB11.6 per share, in its subscription of Zhonggan Communication's shares, details of which are set out in "Subsidiaries – 1. Zhonggan Communication – Investment by Gao Xin Hang Chuang and increase of registered capital" in this section.

Transfer of shares from Mr. Liu Haoqiong to Xin Wang Zhi Hui

On 28 August 2020, in anticipation of the previous plan for A-share listing, details of which are set out at "Listing on NEEQ and NEEQ Listing Withdrawal – Previous plan for A-share listing" in this section, Mr. Liu Haoqiong, Zhonggan Communication and Zhuhai Xin Wang Zhi Hui Equity Investment Partnership (Limited Partnership)* (珠海新網智慧股權投資合夥企業(有限合夥)) ("**Xin Wang Zhi Hui**"), a limited liability partnership established under the laws of the PRC and an Independent Third Party, signed a share transfer agreement, pursuant to which Mr. Liu Haoqiong transferred 1,551,724 shares, representing approximately 2.4% of the issued shares in Zhonggan Communication, to Xin Wang Zhi Hui, for a cash consideration of RMB18,000,000 (i.e. RMB11.6 per share).

Transfer of shares from Rui Da Xin Tao to Shu Zhi Shen Kong

On 14 December 2020, Rui Da Xin Tao entered into a share transfer agreement with Shu Zhi Shen Kong, an Independent Third Party, Mr. Liu Haoqiong and Ms. Tao Xiulan (the "**December 2020 Agreement**") (as varied by supplemental agreements on 14 December 2020 and 6 April 2022) pursuant to which Rui Da Xin Tao transferred 604,100 shares, representing approximately 0.9% of the shares in Zhonggan Communication, to Shu Zhi Shen Kong for a cash consideration of RMB7,007,560. The original consideration of RMB7,007,560 was determined based on the consideration paid by Rui Da Xin Tao in acquisition of shares in Zhonggan Communication based on an agreed valuation of RMB720,000,000 (i.e. RMB11.6 per share), taking into account the business performance of Zhonggan Communication in 2019 and its future prospects.

Repurchase of shares from Gao Xin Hang Chuang and reduction of capital

Following the occurrence of certain triggering event under the repurchase agreement dated 23 June 2020 (subsequently varied on 20 October 2021), i.e. Zhonggan Communication did not proceed with it's A-share listing plan, details of which are set out in the section headed "Listing on NEEQ and NEEQ Listing Withdrawal – Previous Plan for A-share listing" in this section, Gao Xin Hang Chuang became entitled to exercise its right to require Zhonggan Communication to repurchase the shares held by it at a consideration of RMB41,635,562.75, determined based on the capital contribution of Gao Xin Hang Chuang, and an annualised return of 10% (including any dividend or bonus distributed). On 23 August 2021, Zhonggan Communication held an extraordinary general meeting, in which the repurchase of 3,200,862 shares of Zhonggan Communication held by Gao Xin Hang Chuang was approved. On 20 October 2021, Zhonggan Communication, Gao Xin Hang Chuang and the then shareholders of Zhonggan Communication entered into a capital reduction agreement, pursuant to which Zhonggan Communication's registered capital was reduced from RMB65,263,272 to RMB62,062,410. The consideration was fully settled in November 2021. After the capital reduction, and the shareholders of Zhonggan Communication were as follows:

Name of shareholders	Number of shares held	Shareholding percentage (approx.)
		(%)
Mr. Liu Haoqiong	27,995,369	45.1
Ms. Tao Xiulan	16,804,240	27.1
Mr. Peng Shenqian	2,482,496	4.0
Mr. Liu Dingli	2,172,185	3.5
Mr. Liu Dingyi	2,172,185	3.5
Mr. Xiao Wei	2,172,185	3.5
Ms. Wang Wenchun	1,861,872	3.0
Ying Hua Investment	1,706,594	2.7
Xin Wang Zhi Hui	1,551,724	2.5
Mr. Zhou Zhiqiang	1,551,560	2.5
Sunny Hanmy	729,000	1.2
Shu Zhi Shen Kong	604,100	1.0
Rui Da Xin Tao	258,900	0.4
Total	62,062,410	100.0

Transfer of shares from Xin Wang Zhi Hui to Mr. Liu Haoqiong

On 19 October 2021, in view of the change of listing plan, Mr. Liu Haoqiong and Xin Wang Zhi Hui entered into a share transfer agreement (subsequently varied on 1 March 2022), pursuant to which Mr. Liu Haoqiong purchased 1,551,724 shares, representing approximately 2.5% of the shares of Zhonggan Communication, from Xin Wang Zhi Hui for a cash consideration of RMB19,728,813, which was determined based on the consideration paid by Xin Wang Zhi Hui, being RMB18,000,000, to purchase the 1,551,724 shares in Zhonggan Communication plus 7.0% annual interest (which was subsequently reduced to 5.08% from 25 November 2021 onwards) on the original consideration. On 26 March 2022, the consideration was settled in full and Xin Wang Zhi Hui ceased to be a shareholder of Zhonggan Communication.

Conversion of Zhonggan Communication into a limited liability company

On 28 February 2022, for the purposes of the Reorganisation, the then shareholders of Zhonggan Communication resolved to convert Zhonggan Communication into a limited liability company and to change its name to its current name. The aforementioned changes were approved by the relevant PRC authority on 3 March 2023.

As at 3 March 2022, Zhonggan Communication's holding structure was as follows:

Name of equity holders	**Capital contribution**	**Percentage of equity interest (approx.)**
	RMB	(%)
Mr. Liu Haoqiong	27,995,369	45.1
Ms. Tao Xiulan	16,804,240	27.1
Mr. Peng Shengqian	2,482,496	4.0
Mr. Liu Dingli	2,172,185	3.5
Mr. Liu Dingyi	2,172,185	3.5
Mr. Xiao Wei	2,172,185	3.5
Ms. Wang Wenchun	1,861,872	3.0
Ying Hua Investment	1,706,594	2.7
Mr. Zhou Zhiqiang	1,551,560	2.5
Sunny Hanmy	729,000	1.2
Shu Zhi Shen Kong	604,100	1.0
Rui Da Xin Tao	258,900	0.4
Total	62,062,410	100.0

Further transfer of equity interest from Mr. Liu Haoqiong to Rui Da Xin Tao and Shu Zhi Shen Kong

Due to change of listing plan which led to change in the agreed valuation of Zhonggan Communication from RMB720,000,000 to RMB500,000,000, the parties agreed to adjust the percentage of equity interest to be acquired by Rui Da Xin Tao and Shu Zhi Shen Kong. On 6 March 2022 and 6 April 2022, Mr. Liu Haoqiong and Ms. Tao Xiuian entered into separate agreements with Rui Da Xin Tao and Shu Zhi Shen Kong respectively, to, among other things, transfer further approximately 0.2% equity interest in Zhonggan Communication to Rui Da Xin Tao at nil consideration, and to transfer further approximately 0.4% equity interest in Zhonggan Communication to Shu Zhi Shen Kong at nil consideration for the purpose of compensating the downward adjustment of valuation of Zhonggan Communication.

Capital injection by You Po Investment

On 14 April 2022, Zhonggan Communication entered into a capital increase agreement with You Po Investment, an Independent Third Party, pursuant to which You Po Investment agreed to subscribe for approximately 4.3% of equity interest in Zhonggan Communication for cash consideration of RMB22,440,000, of which RMB2,805,000 was contributed to the registered capital, and the remaining RMB19,635,000 was converted into capital reserve. The consideration was determined following arm's length negotiations between the parties with reference to an agreed valuation of Zhonggan Communication of RMB500,000,000.

Capital injection by Ms. Yeung

On 14 April 2022, Ms. Yeung, a Hong Kong individual and an Independent Third Party, subscribed for 1.0% of equity interest in Zhonggan Communication at a cash consideration of RMB5,241,808, of which RMB655,226 was contributed to the registered capital, and the remaining RMB4,586,582 was converted into capital reserve. The consideration was determined following arm's length negotiations between the parties with reference to an agreed valuation of Zhonggan Communication of RMB500,000,000.

Transfer of equity interest from Mr. Peng Shenqian to Mr. Liu Haoqiong

On 14 April 2022, in view of the change of listing plan, Mr. Liu Haoqiong entered into an equity transfer agreement with Mr. Peng Shenqian pursuant to which Mr. Liu Haoqiong purchased 4.0% of equity interest of Zhonggan Communication from Mr. Peng Shengqian at RMB28,796,953.6, being the original consideration paid by Mr. Peng Shenqian to acquire shares of Zhonggan Communication in May 2020.

Further transfer of equity interest to Mr. Liu Dingli and Mr. Liu Dingyi

On 14 April 2022, as part of a family arrangement, Ms. Tao Xiulan entered into an equity transfer agreement with each of Mr. Liu Dingli and Mr. Liu Dingyi, respectively to gift 4.0% of equity interest in Zhonggan Communication, to each of Mr. Liu Dingli and Mr. Liu Dingyi at nil consideration.

Increase of registered capital of Zhonggan Communication

Following the capital injection by You Po Investment and Ms. Yeung and the above transfers of equity interest, on 14 April 2022, in the extraordinary general meeting of Zhonggan Communication, it was resolved that Zhonggan Communication would increase the registered capital from RMB62,062,410 to RMB65,522,636. Upon completion of the subscription, Zhonggan Communication was converted into a sino-foreign joint venture.

Transfer of equity interest from Mr. Xiao Wei, Ms. Wang Wenchun and Mr. Zhou Zhiqiang to Ms. Tao Xiulan

On 14 April 2022, in view of the change of listing plan, Ms. Tao Xiulan entered into separate equity transfer agreements with Mr. Xiao Wei, Ms. Wang Wenchun and Mr. Zhou Zhiqiang, pursuant to which Ms. Tao Xiulan purchased 3.5%, 3.0% and 2.5% of the equity interest of Zhonggan Communication from Mr. Xiao Wei, Ms. Wang Wenchun and Mr. Zhou Zhiqiang at a consideration of RMB25,197,346, RMB21,597,715.2 and RMB17,998,096, being the respective original consideration paid by Mr. Xiao Wei, Ms. Wang Wenchun and Mr. Zhou Zhiqiang to acquire shares of Zhonggan Communication in May 2020.

Upon completion of the above transfers on 19 April 2022, Zhonggan Communication was held as follows:

Name of equity holders	**Capital contribution**	**Percentage of equity interest**
	RMB	(%)
Mr. Liu Haoqiong	31,641,239	48.3
Ms. Tao Xiulan	17,424,865	26.6
Mr. Liu Dingli	4,654,681	7.1
Mr. Liu Dingyi	4,654,681	7.1
You Po Investment	2,805,000	4.3
Ying Hua Investment	1,706,594	2.6
Shu Zhi Shen Kong	875,945	1.3
Sunny Hanmy	729,000	1.1
Ms. Yeung	655,226	1.0
Rui Da Xin Tao	375,405	0.6
Total	65,522,636	100.0

As part of the Reorganisation, the entire equity interest of Zhongggan Communication was subsequently acquired by Jiangxi Zhongge, a limited liability company incorporated in the PRC which is an indirect wholly-owned subsidiary of the Company. As of the Latest Practicable Date, Zhonggan Communication has become an indirectly wholly-owned subsidiary of the Company, which is also ultimately controlled by Mr. Liu Haoqiong and Ms. Tao Xiulan. See section headed "Reorganisation" in this section for further details.

Branch offices of Zhonggan Communication

Zhoonggan Communication had established three branch offices in the PRC, including Guizhou Province, Shanghai and Zhejiang Province. Due to change in development strategies, the branch offices in Guizhou Province and Zhejiang Province were deregistered on 24 February 2023 and 10 March 2023, respectively. As confirmed by the Directors and concurred by the PRC Legal Advisers, saved as disclosed, the deregistered branch offices were not involved in any material claims, litigations or non-compliant incidents during the Track Record Period. In addition, the deregistration had no material impact on the Group's financial performance, financial position and cash flows during the Track Record Period.

2. GLP Technology

GLP Technology was incorporated by Zhonggan Communication as a limited liability company in the PRC on 30 November 2017, then known as Jiangxi Gelapu Technology Co., Ltd.*（江西歌拉普科技有限公司）. GLP Technology was incorporated with a registered capital of RMB10,000,000. On 26 June 2018, Zhonggan Communication resolved to increase the registered capital of GLP Technology to RMB30,000,000, which has been paid up. On 16 February 2022, GLP Technology changed to its current name. GLP Technology is primarily engaged in the Digitalisation Solution Services business. As of the Latest Practicable Date, it is an indirect wholly-owned subsidiary of the Company.

3. Gantong Jiangxi

Gantong Jiangxi was incorporated by Zhonggan Communication as a limited liability company on 28 October 2019 with a registered capital of RMB10,000,000. During the Track Record Period and up to the Latest Practicable Date, Gantong Jiangxi has not commenced business. As of the Latest Practicable Date, Gantong Jiangxi is an indirect wholly-owned subsidiary of the Company.

4. Gantong Xiamen

Gantong Xiamen was incorporated by Zhonggan Communication as a limited liability company in the PRC on 12 November 2021 with a registered capital of RMB1,000,000. During the Track Record Period and up to the Latest Practicable Date, Gantong Xiamen has not commenced business. As of the Latest Practicable Date, Gantong Xiamen is an indirect wholly-owned subsidiary of the Company.

5. GLP Software

GLP Software was incorporated by GLP Technology as a limited liability company in the PRC on 11 February 2022 with a registered capital of RMB5,000,000. GLP Software is primarily engaged in the Digitalisation Solution Services business. As of the Latest Practicable Date, GLP Software is an indirect wholly-owned subsidiary of the Company.

REORGANISATION

In anticipation of the **[REDACTED]**, the Group underwent the Reorganisation as a result of which the Company became the holding company and **[REDACTED]** vehicle of the Group.

Incorporation of holding companies

As part of the Reorganisation, six companies were incorporated in the BVI with limited liability by the original individual and corporate shareholders of Zhonggan Communication and one company was incorporated in the Cayman Islands by an original corporate shareholder of Zhonggan Communication, respectively, as their investment vehicles with their shareholdings proportional to their original percentage levels of equity interest in Zhonggan Communication.

On 12 April 2022, GT & Yangtze, Huat Huat and Octuple Hills were incorporated in the BVI with limited liability by the individual shareholders of Zhonggan Communication, namely, Mr. Liu Haoqiong, Ms. Tao Xiulan, Mr. Liu Dingli and Mr. Liu Dingyi, as their respective investment vehicles. GT & Yangtze is owned as to 70.0% by Mr. Liu Haoqiong and as to 30.0% by Ms. Tao Xiulan. Huat Huat and Octuple Hills are wholly-owned by Mr. Liu Dingli and Mr. Liu Dingyi, respectively.

On 8 June 2022, You Po Investment incorporated You Po BVI in the BVI with limited liability as its wholly-owned investment vehicle. On 27 May 2022, Ying Hua Investment incorporated Ying Hua BVI in the BVI with limited liability as its wholly-owned investment vehicle. Shu Zhi Shen Kong and Rui Da Xin Tao also incorporated Shu Zhi Cayman and Rui Da BVI in the Cayman Islands and BVI, respectively with limited liability as their respective wholly-owned investment vehicles.

Incorporation of the Company

On 20 April 2022, the Company was incorporated in the Cayman Islands as an exempted company. Upon incorporation, the Company issued one ordinary share with a par value of HK$0.1 to the initial subscriber which was fully paid, and the initial subscriber subsequently transferred such Share to GT & Yangtze on 26 May 2022. On the same day, the Company allotted additional Shares. Upon completion of the allotment, the shareholding of the Company was as follows:

Name of Shareholders	Number of issued Shares	Shareholding percentage (approx.)
		(%)
GT & Yangtze	757,268	84.0
Huat Huat	71,839	8.0
Octuple Hills	71,839	8.0
Total	900,946	100.0

Following the Company's incorporation, the following individuals were appointed as Directors on 19 May 2022: Mr. Liu Haoqiong, Mr. Liu Dingli, Mr. Peng Shengqian, Ms. Tao Xiulan, Ms. Xie Xiaolan, and Mr. Liu Dingyi. On 13 September 2022, Ms. Tao Xiulan resigned as Director for personal reasons, specifically to allocate more time to the care of her family. Concurrently, Mr. Zhou Zhiqiang was appointed as Director on the same day. For further details of the Directors, please refer to the paragraphs headed "Directors and Senior Management – Directors – Executive Directors" in this document.

Allotment of Shares to Ying Hua BVI, Shu Zhi Cayman, Rui Da BVI, You Po BVI and Ms. Yeung

On 7 July 2022, the Company allotted 43,291 Shares, 26,339 Shares, 13,518 Shares, 5,793 Shares and 10,113 Shares at par value to You Po BVI, Ying Hua BVI, Shu Zhi Cayman, Rui Da BVI and Ms. Yeung. Upon completion of the allotment, the shareholding of the Company was as follows:

Name of Shareholders	**Number of issued Shares**	**Shareholding percentage (approx.)**
		(%)
GT & Yangtze	757,268	75.7
Huat Huat	71,839	7.2
Octuple Hills	71,839	7.2
You Po BVI	43,291	4.3
Ying Hua BVI	26,339	2.6
Shu Zhi Cayman	13,518	1.4
Rui Da BVI	5,793	0.6
Ms. Yeung	10,113	1.0
Total	1,000,000	100.0

Incorporation of Zhonggan BVI and Zhonggan HK

On 24 May 2022, Zhonggan BVI was incorporated by the Company as an investment vehicle in the BVI. Upon incorporation, Zhonggan BVI issued one ordinary share with issued capital of USD1.00.

On 9 June 2022, Zhonggan HK was incorporated by Zhonggan BVI in Hong Kong. Upon incorporation, Zhonggan BVI holds 1 issued ordinary share in Zhonggan HK with issued capital of HK$1.00.

Incorporation of Jiangxi Zhongge and changes to its registered capital

On 18 July 2022, Zhonggan HK incorporated a wholly foreign-owned enterprise, Jiangxi Zhongge, as a limited liability company in the PRC, with an initial registered capital of RMB158,524,890. On 22 July 2022, the registered capital of Jiangxi Zhongge was increased from RMB158,524,890 to HK$184,453,522. On 7 April 2023, Zhonggan HK resolved to reduce the registered capital of Jiangxi Zhongge to HK$22,806,837 and the reduction of registered capital took effect on 24 May 2023. As at the Latest Practicable Date, the registered capital of Jiangxi Zhongge has not been paid up. As advised by the PRC Legal Advisers, the unpaid registered capital of Jiangxi Zhongge will not affect the completion of the Reorganisation.

Acquisition of approximately 98.9% equity interest of Zhonggan Communication by Jiangxi Zhongge

On 22 August 2022, Jiangxi Zhongge entered into equity transfer agreements with each of Mr. Liu Haoqiong, Ms. Tao Xiulan, Mr. Liu Dingli, Mr. Liu Dingyi, You Po Investment, Ying Hua Investment, Shu Zhi Shen Kong, Rui Da Xin Tao and Ms. Yeung (together, the "**Transferors**"), pursuant to which the Transferors agreed to transfer in aggregate approximately 98.9% of the equity interest in Zhonggan Communication to Jiangxi Zhongge for a total cash consideration of RMB136,262,066, determined based on the net asset value of Zhonggan Communication as at 31 December 2021. As Jiangxi Zhongge is a newly established entity whose registered capital has yet to be paid up, to facilitate the transfer of Zhonggan Communication's 98.9% equity interest which forms part of the Reorganisation, each of (i) Mr. Liu Haoqiong, Ms. Tao Xiulan, Mr. Liu Dingli, Mr. Liu Dingyi, Jiangxi Zhongge and Zhonggan Communication, and (ii) Ms. Yeung, Jiangxi Zhongge and Zhonggan Communication entered into a waiver agreement on 22 August 2022 waiving the obligation of Jiangxi Zhongge to pay them their respective considerations. Subsequently on 14 December 2023, Mr. Liu Haoqiong, Ms. Tao Xiulan, Mr. Liu Dingli, Mr. Liu Dingyi, Ms. Yeung, Jiangxi Zhongge and Zhonggan Communication entered into a termination agreement (the "**December 2023 Agreement**"), among other things, to terminate the aforementioned waiver agreements and revive the obligation of Jiangxi Zhongge to pay them their respective considerations pursuant to the aforementioned equity transfer agreement. Ms. Tao Xiulan, Mr. Liu Dingyi, Mr. Liu Dingli and Ms. Yeung provided funds for a total amount of RMB61,176,196 to Mr. Liu Haoqiong in order to facilitate the provision of funds for a total amount of RMB127,718,305 (the "**Funds**") from Mr. Liu Haoqiong to Jiangxi Zhongge as gift, solely for the purpose of its payment of the considerations to Mr. Liu Haoqiong, Ms. Tao Xiulan, Mr. Liu Dingli, Mr. Liu Dingyi and Ms. Yeung. The consideration payable by Jiangxi Zhongge to Mr. Liu Haoqiong, Ms. Tao Xiulan, Mr. Liu Dingli, Mr. Liu Dingyi, Ms. Yeung, You Po Investment, Ying Hua Investment, Shu Zhi Shen Kong and Rui Da Xin Tao was settled. As confirmed by the PRC Legal Advisers, the equity transfers from the Transferors to Jiangxi Zhongge have been duly completed and Jiangxi Zhongge is duly registered as the equity holder of 98.9% equity interest of Zhonggan Communication on 25 August 2022. After the completion of the aforementioned equity transfers, Zhonggan Communication was held as follows:

Name of equity holders	Capital contribution	Percentage of equity interest (approx.)
	RMB	(%)
Jiangxi Zhongge	64,793,636	98.9
Sunny Hanmy	729,000	1.1
Total	65,522,636	100.0

Transfer of approximately 1.1% equity interest of Zhonggan Communication from Sunny Hanmy to Mr. Liu Dingyi and from Mr. Liu Dingyi to Jiangxi Zhongge

Pursuant to the terms of the share repurchase agreement made between Mr. Liu Haoqiong and Sunny Hanmy dated 22 March 2019, Sunny Hanmy shall be entitled to request Mr. Liu Haoqiong (or a third party designated by him) to repurchase the equity interest held by Sunny Hanmy at its initial capital contribution of RMB2,500,472 plus an annual interest of 12% on the initial capital contribution (excluding dividend already paid to Sunny Hanmy). As Jiangxi Zhongge was a newly established entity whose registered capital has yet to be paid up, to facilitate the transfer of Zhonggan Communication's 1.1% equity interest to Jiangxi Zhongge which forms part of the Reorganisation, Mr. Liu Haoqiong designated Mr. Liu Dingyi, rather than Jiangxi Zhongge, to acquire the equity interest of Zhonggan Communication from Sunny Hanmy. As a result, on 22 December 2022, Mr. Liu Dingyi entered into an equity transfer agreement with Sunny Hanmy, pursuant to which Sunny Hanmy agreed to transfer approximately 1.1% of the equity interest in Zhonggan Communication to Mr. Liu Dingyi for a cash consideration of approximately RMB3.6 million. The consideration has been fully settled. As confirmed by the PRC Legal Advisers, the equity transfer from Sunny Hanmy to Mr. Liu Dingyi have been duly completed on 3 February 2023.

On 20 February 2023, Jiangxi Zhongge entered into an equity transfer agreement with Mr. Liu Dingyi, pursuant to which Mr. Liu Dingyi agreed to transfer approximately 1.1% of the equity interest in Zhonggan Communication to Jiangxi Zhongge for a cash consideration of approximately RMB3.6 million, determined based on the purchase price paid to Sunny Hanmy. As Jiangxi Zhongge is a newly established entity whose registered capital has yet to be paid up, to facilitate the transfer of Zhonggan Communication's 1.1% equity interest which forms part of the Reorganisation, on 20 February 2023, Mr. Liu Dingyi entered into a waiver agreement with Jiangxi Zhongge and Zhonggan Communication, pursuant to which Mr. Liu agreed to waive the obligation of Jiangxi Zhongge to pay him the cash consideration of approximately RMB3.6 million. Subsequently, the waiver agreement was terminated and the obligation of Jiangxi Zhongge to pay Mr. Liu Dingyi the relevant consideration pursuant to the aforementioned equity transfer agreement was revived pursuant to the December 2023 Agreement. As mentioned above, the Funds was provided to Jiangxi Zhongge and the consideration payable by Jiangxi Zhongge to Mr. Liu Dingyi was settled. As confirmed by the PRC Legal Advisers, the equity transfer from Mr. Liu Dingyi to Jiangxi Zhongge has been duly completed on 21 February 2023 and Jiangxi Zhongge is duly registered as the equity holder of 100.0% equity interest of Zhonggan Communication. Subsequent to these transfers, Zhonggan Communication became a wholly-owned subsidiary of Jiangxi Zhongge.

Increase of authorised share capital of the Company and allotment of shares to Octuple Hills

On 15 May 2023, the Company's authorised share capital was increased from HK$100,000 divided into 1,000,000 Shares with a par value of HK$0.1 each to HK$101,126 divided into 1,011,260 Shares with a par value of HK$0.1 each.

On 15 May 2023, as a result of acquisition of approximately 1.1% of the equity interest in Zhonggan Communication by Mr. Liu Dingyi which was subsequently transferred to Jiangxi Zhongge as described above, 11,251 Shares were allotted to Octuple Hills at par value, to reflect the change in percentage level of equity interest held by Mr. Liu Dingyi in Zhonggan Communication. Further to such allotment, Octuple Hills held 83,090 Shares, representing approximately 8.2% of all issued Shares. As at 15 May 2023, the shareholding of the Company was as follows:

Name of Shareholders	Number of issued Shares	Shareholding percentage (approx.)
		(%)
GT & Yangtze	757,268	74.9
Octuple Hills	83,090	8.2
Huat Huat	71,839	7.1
You Po BVI	43,291	4.3
Ying Hua BVI	26,339	2.6
Shu Zhi Cayman	13,518	1.3
Ms. Yeung	10,113	1.0
Rui Da BVI	5,793	0.6
Total	1,011,251	100.0

[REDACTED]

Investment by Rui Da BVI

By the June 2020 Agreement (as varied by a supplemental agreement dated 14 December, 2020), Rui Da Xin Tao acquired 863,000 shares of Zhonggan Communication from Mr. Liu Haoqiong at a total consideration of RMB10,010,800. For details, please refer to paragraphs headed "Subsidiaries – 1. Zhonggan Communication – Transfer of shares from Mr. Liu Haoqiong to Rui Da Xin Tao" and "Subsidiaries – Zhonggan Communication – Further transfer of equity interest from Mr. Liu Haoqiong to Rui Da Xin Tao and Shu Zhi Shen Kong" in this section.

Rui Da Xin Tao is a limited liability partnership established in the PRC on 3 August 2015 principally engaged in investment management, asset management and project investment. Rui Da Xin Tao is owned as to 30.0% by its general partner, Mr. Li Ning（李寧）, and as to 40.0% by Mr. Zhao Yang（趙陽）and as to 30.0% by Mr. Song Chuan Ke（宋傳柯）, as limited partners. Details of Rui Da Xin Tao, its investment portfolio and scale of operation are as follows:

Name	Beijing Rui Da Xin Tao Capital Management Centre (Limited Partnership)
Date of incorporation	3 August 2015
Company type	Limited Partnership
Investment portfolio	Currently invested in two projects: (i) the Group and (ii) a company in railroad track technology industry
Scale of operation	As confirmed by the general partner of Rui Da Xin Tao, the amount of investment of Rui Da Xin Tao was approximately RMB10.0 million, and it had no investment return as at the Latest Practicable Date.
Number of key staff	3
Reason for investment	(1) In 2020, AVIC Securities Co., Ltd., the A-share Sponsor for Zhonggan Communication's previous plan for A-share listing, recommended the Group to them. (2) Mr. Li Ning（李寧）, the general partner of Rui Da Xin Tao, possesses extensive investment experience. He has invested in diverse industries such as wire and cable manufacturing, housing construction, organic chemical raw materials manufacturing, biopharmaceutical manufacturing, and more. With his professional background, he has developed a deep understanding of the telecommunications industry. After conducting thorough research and assessment, he holds a positive overall assessment of the Group's business prospects.

On 7 July 2022, 5,793 Shares were allotted and issued to Rui Da BVI, which is wholly owned by Rui Da Xin Tao.

Investment by Shu Zhi Cayman

By the December 2020 Agreement, as varied by supplemental agreements dated 14 December 2020 and 6 April 2022, Shu Zhi Shen Kong acquired 604,100 shares of Zhonggan Communication from Rui Da Xin Tao at a total consideration of RMB7,007,560. For details, please refer to "Subsidiaries – 1. Zhonggan Communication – Transfer of shares from Rui Da Xin Tao to Shu Zhi Shen Kong" and "Subsidiaries – 1. Zhonggan Communication – Further transfer of equity interest from Mr. Liu Haoqiong to Rui Da Xin Tao and Shu Zhi Shen Kong" in this section.

Shu Zhi Shen Kong is a limited liability partnership established in the PRC on 14 December 2020 principally engaged in corporate management and information consultancy services. Shu Zhi Shen Kong is owned as to approximately 94.3% by its general partner Shanghai Songxian Enterprise Management Center (Limited Partnership)*(上海誦弦企業管理中心(有限合夥))("**Shanghai Song Xian**"), and as to the remaining 5.7% by its limited partner Mr. Yu Da(虞達). Shanghai Song Xian is a limited liability partnership established in the PRC on 23 November 2020 and is principally engaged in corporate management consultancy and financial consultancy services. Shanghai Song Xian is owned as to approximately 18.3% by its general partner Mr. Wang Wei(王巍), and as to approximately 61.0% by Ms. Da Mingyu(達明玉), and as to the remaining approximately 20.7% by a number of individuals, as limited partners. Details of Shu Zhi Shen Kong, its investment portfolio and scale of operation are as follows:

Name	Hainan Shu Zhi Shen Kong Investment Partnership (Limited Partnership)
Date of incorporation	14 December 2020
Company type	Limited Partnership
Investment portfolio	Mainly focused on high-tech enterprises. Currently involved in several projects in specific industries include telecommunications services industry (such as the Group's business) and other industries such as pharmaceutical, high-speed rail and software.
Scale of operation	As confirmed by the general partner of Shu Zhi Shen Kong, the amount of investment of Shu Zhi Shen Kong was approximately RMB20.0 million, and it had no investment return up to the Latest Practicable Date.
Number of key staff	More than 10
Reason for investment	(1) In 2020, AVIC Securities Co., Ltd., the A-share Sponsor for Zhonggan Communication's previous plan for A-share listing, recommended the Group to them.

(2) The general partner of Shu Zhi Shen Kong, Shanghai Song Xian, also has investments in various sectors such as the financial industry, leasing, and business services. The partners of Shanghai Song Xian, leveraging their investment experience, have conducted assessments on factors including revenue, growth rate, and other indicators within the telecommunications industry. Based on comprehensive data analysis, they are optimistic towards the evaluation of the Group's business prospects and other aspects.

On 7 July 2022, 13,518 Shares, were allotted and issued to Shu Zhi Cayman, which is wholly owned by Shu Zhi Shen Kong.

Investment by You Po BVI

On 14 April 2022, Zhonggan Communication entered into a capital increase agreement with You Po Investment, an Independent Third Party, pursuant to which You Po Investment agreed to subscribe for approximately 4.3% of equity interest in Zhonggan Communication for cash consideration of RMB22,440,000. For details, please refer to "Subsidiaries – 1. Zhonggan Communication – Capital Injection by You Po Investment" of this section.

You Po Investment is a limited liability partnership established in the PRC on 22 February 2022 principally engaged in information consultancy services. You Po Investment is owned as to approximately 38.3% by its general partner Ms. Wang Wenchun (汪文春), and as to approximately 11.6% by Mr. Li Peichao (李沛潮), as to approximately 11.6% by Mr. Zhao Yijiu (趙億久), as to approximately 10.2% by Mr. Wu Shuiyin (吳水印), and as to the remaining approximately 28.3% by a number of individuals, as limited partners. Details of Yo Po Investment, its investment portfolio and scale of operation are as follows:

Name	Shenzhen You Po Business Consulting Partnership (Limited Partnership)
Date of incorporation	22 February 2022
Company type	Limited Partnership
Investment portfolio	Currently only invested in the Group
Scale of operation	As confirmed by the general partner of Yo Po Investment, the amount of investment of Yo Po Investment was approximately RMB22.4 million, and it had no investment return up to the Latest Practicable Date.
Number of key staff	More than 10

Reason for investment . . . .

(1) The general partner of You Po Investment, Ms. Wang Wenchun, has become acquainted with Mr. Liu Haoqiong for many years, and has made her investment based on her recognition and trust in his character.

(2) Ms. Wang Wenchun herself has investment experience in a real estate appraisal company and has a deep understanding of the telecommunications industry. Based on her research and assessment, she maintains a positive assessment of the Group's business prospects and other aspects.

On 7 July 2022, 43,291 Shares, were allotted and issued to You Po BVI, which is wholly owned by You Po Investment.

Investment by Ms. Yeung

On 14 April 2022, pursuant to a subscription agreement, Ms. Yeung, a Hong Kong individual and an Independent Third Party, subscribed for 1.0% of equity interest in Zhonggan Communication at a consideration of RMB5,241,808. Details of Ms. Yeung, her investment portfolio and scale of operation are as follows:

Name . . . . Yeung Hoi Ka

Investment portfolio . . . . . . Currently involved in several projects in specific industries include telecommunications services industry (such as the Group's business) and financial industry

Scale of operation . . . . As confirmed by Ms. Yeung, the amount of investment of Ms. Yeung was approximately RMB5.2 million, and it had no investment return up to the Latest Practicable Date.

Reason for investment . . . .

(1) Mr. Yeung has become acquainted with Mr. Liu Haoqiong for 20 years, and has made her investment based on her recognition and trust in his character.

(2) Ms. Yeung has a strong understanding of the telecommunications industry. Apart from her investments in the Group, she also invests in other companies within the telecommunications sector. Furthermore, she possesses extensive investment experience in various industries, including the financial sector. After thorough research and assessment, she holds an optimistic outlook on the Group's business prospects.

For details, please refer to "Subsidiaries – 1. Zhonggan Communication – Subscription of 1.0% equity interest in Zhonggan Communication by Ms. Yeung" of this section.

Ms. Yeung has over ten years of experience in the consulting industry. She was introduced to the Group by Mr. Liu Haoqiong, the Chairman and executive Director. Ms. Yeung and Mr. Liu Haoqiong have known each other for more than six years.

On 7 July 2022, 10,113 Shares, were allotted and issued to Ms. Yeung.

Save as the **[REDACTED]**, the **[REDACTED]** were not involved in and did not have any role in the operation nor the **[REDACTED]** up to the Latest Practicable Date. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the **[REDACTED]** invested in the Group because they appreciate the prospects and potential growth of the Group. Save for the **[REDACTED]**, the **[REDACTED]** did not have any past or present relationships (including, but without limitation, family, trust, business, employment relationships) or any agreements, arrangements, understanding or undertakings with the Company, the subsidiaries, Shareholders, Directors or senior management and any of their respective associates and is an Independent Third Party as at the Latest Practicable Date. As the **[REDACTED]** are not core connected persons of the Company, the Shares held by them will be counted towards the public float after the **[REDACTED]**.

Details of the **[REDACTED]** are set out below:

Name of [REDACTED]	**Rui Da BVI**	**Shu Zhi Cayman**	**You Po BVI**	**Ms. Yeung**
Date of investment[1] : . . .	23 June 2020	14 December 2020	12 April 2022	12 April 2022
Amount of consideration paid:	RMB3,003,240 [2]	RMB7,007,560	RMB22,440,000	RMB5,241,808

Name of [REDACTED]	Rui Da BVI	Shu Zhi Cayman	You Po BVI	Ms. Yeung
Basis of determination of the consideration:. . . .	The original consideration of RMB10,010,800 was determined with reference to the consideration paid by another investor, Gao Xin Hang Chuang, in anticipation of the previous plan for A-share listing, based on an agreed valuation of RMB720,000,000 (i.e. RMB11.6 per share), taking into account the business performance of Zhonggan Communication in 2019 and its future prospects. Due to change of listing plan which led to change in the agreed valuation of Zhonggan Communication to RMB500,000,000 and thus the percentage of equity interest to be acquired by Rui Da Xin Tao, on 6 March 2022, Mr. Liu Haoqiong and Ms. Tao Xiulan entered into a supplemental agreement to the repurchase agreement with Rui Da Xin Tao to, among other things, transfer further approximately 0.2% equity interest in Zhonggan Communication to Rui Da Xin Tao at nil consideration to compensate the downward adjustment of the valuation of Zhonggan Communication.	The original consideration of RMB7,007,560 was determined with reference to the consideration paid by Rui Da Xin Tao in acquisition of shares in Zhonggan Communication based on an agreed valuation of RMB720,000,000 (i.e. RMB11.6 per share), taking into account the business performance of Zhonggan Communication in 2019 and its future prospects. Due to change of listing plan which led to change in the agreed valuation of Zhonggan Communication to RMB500,000,000 and thus the percentage of equity interest to be acquired by Shu Zhi Shen Kong, on 6 April 2022, Mr. Liu Haoqiong and Ms. Tao Xiulan entered into repurchase agreement with Shu Zhi Shen Kong to, among other things, transfer further approximately 0.4% of equity interest in Zhonggan Communication to Shu Zhi Shen Kong at nil consideration to compensate the downward adjustment of the valuation of Zhonggan Communication.	Determined following arm's length negotiations between the parties with reference to an agreed valuation of Zhonggan Communication of RMB500,000,000.	Determined following arm's length negotiations between the parties with reference to an agreed valuation of Zhonggan Communication of RMB500,000,000.
Date on which consideration was fully settled:.	28 June 2020	28 December 2020	12 April 2022	12 April 2022

Name of [REDACTED]	Rui Da BVI	Shu Zhi Cayman	You Po BVI	Ms. Yeung
Cost per Share[4]:	HK$**[REDACTED]**	HK$**[REDACTED]**	HK$**[REDACTED]**	HK$**[REDACTED]**
Premium to mid-point of the **[REDACTED]** range:	Approximately **[REDACTED]**	Approximately **[REDACTED]**	Approximately **[REDACTED]**	Approximately **[REDACTED]**
[REDACTED]:	The Company has not received any investment amount from Rui Da BVI as the investment was effected by equity transfer between Mr. Liu Haoqiong and Rui Da Xin Tao	The Company has not received any investment amount from Shu Zhi Cayman as the investment was effected by equity transfer between Rui Da Xin Tao and Shu Zhi Shen Kong.	As at the Latest Practicable Date, the Group has fully utilised the **[REDACTED]** as follows: (i) as to approximately RMB18.0 million for prepayment for labour procurement costs; and (ii) as to approximately RMB9.8 million for repayment of borrowings.	
Shareholding in the Company immediately after the completion of Reorganisation[1]:	Approximately 0.6%	Approximately 1.3%	Approximately 4.3%	Approximately 1.0%
Shareholding in the Company immediately after the completion of the **[REDACTED]**[1, 3]	Approximately **[REDACTED]**	Approximately **[REDACTED]**	Approximately **[REDACTED]**	Approximately **[REDACTED]**
Special rights:	Rui Da Xin Tao was entitled to, (i) redemption right, profit guarantee and information right during the Track Record Period, and (ii) up to **[REDACTED]**, the right of first refusal, preemptive right, preferential right in liquidation, anti-dilution right and price adjustment right. The redemption right shall terminate upon submission of **[REDACTED]** to the Stock Exchange.	Shu Zhi Shen Kong was entitled to (i) redemption right, profit guarantee and information right during the Track Record Period, and (ii) up to **[REDACTED]**, the right of first refusal, preemptive right, preferential right in liquidation, anti-dilution right and price adjustment right. All such special rights shall terminate upon submission of **[REDACTED]** to the Stock Exchange.	Nil	Nil
Lock-up period:	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(1) Date of investment refers to the date of the relevant equity transfer agreement or capital injection agreement. Shareholding is calculated on the basis of the number of Shares to be held by the **[REDACTED]** immediately after the completion of the **[REDACTED]**.

(2) The original consideration paid by Rui Da Xin Tao for acquisition of 863,000 shares, representing approximately 1.3% of the shares in Zhonggan Communication of Zhonggan Communication, was RMB10,010,800. On 14 December 2020, Rui Da Xin Tao entered into a share transfer agreement with Shu Zhi Shen Kong to transfer 604,100 shares, representing approximately 0.9% of the shares in Zhonggan Communication, to Shu Zhi Shen Kong for a cash consideration of **[REDACTED]**. As such, the net consideration paid by Rui Da Xin Tao was **[REDACTED]**.

(3) Assuming that the **[REDACTED]** is not exercised and taking no account of any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme.

(4) The cost per Share is calculated by dividing the consideration each **[REDACTED]** paid by the number of Shares to be held by the **[REDACTED]** immediately after completion of the **[REDACTED]**, assuming an exchange rate of **[REDACTED]** to HK$**[REDACTED]** and taking no account of any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme.

Sponsor's confirmation

The Sponsor has confirmed that the **[REDACTED]** is in compliance with Chapter 4.2 of the Guide for New Listing Applicants published by the Stock Exchange effective from 1 January 2024 as the consideration for the **[REDACTED]** was all settled more than 28 clear days before the date of the first submission of the **[REDACTED]** to the Stock Exchange in relation to the **[REDACTED]** and as there are no special rights granted to the **[REDACTED]** that will survive the **[REDACTED]**.

Public float

As each of Rui Da BVI (which is wholly-owned by Rui Da Xin Tao), Shu Zhi Cayman (which is wholly-owned by Shu Zhi Shen Kong), Ying Hua BVI (which is wholly-owned by Ying Hua Investment), You Po BVI (which is wholly-owned by You Po Investment) and Ms. Yeung will hold less than 10% of the total issued share capital of the Company immediately following the completion of the **[REDACTED]** and the **[REDACTED]** and each of them is independent from and not connected with each other, they will not be considered as a substantial shareholder of the Company upon completion of the **[REDACTED]** and the **[REDACTED]**. Accordingly, the Shares held by each of Rui Da BVI, Shu Zhi Cayman, Ying Hua BVI,You Po BVI and Ms. Yeung shall be considered as part of the public float for the purpose of Rule 8.08 of the Listing Rules. Approximately **[REDACTED]**% of the total issued capital of the Company upon the **[REDACTED]** will be held by the public (as defined in the Listing Rules).

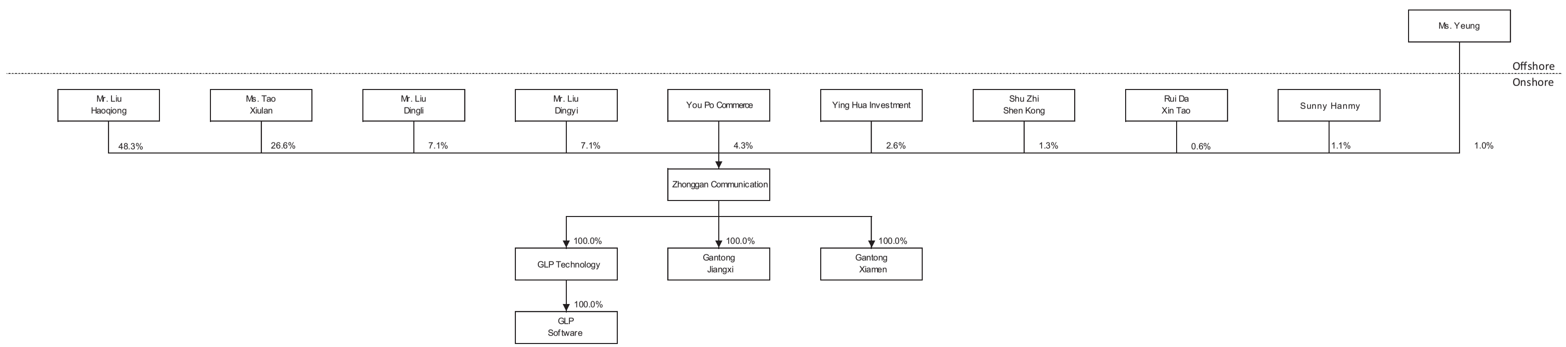
Compliance with laws and regulations

As confirmed by the PRC Legal Advisers, the **[REDACTED]** were conducted in compliance with all the applicable laws and regulations.

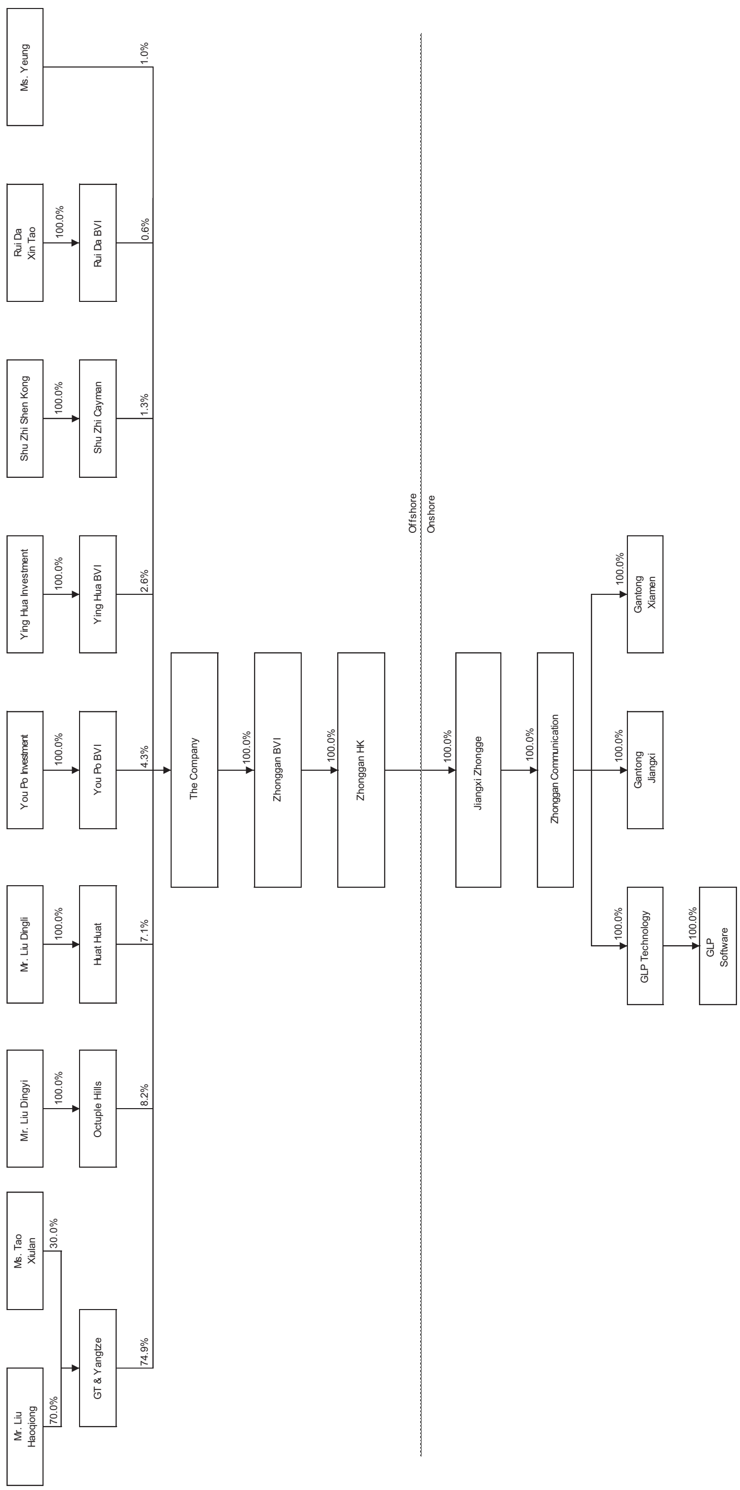
CORPORATE AND SHAREHOLDING STRUCTURE

The following charts illustrate the shareholding and simplified shareholding structure (1) immediately prior to the Reorganisation and (2) immediately after the completion of the Reorganisation; and (3) immediately after the completion of the **[REDACTED]** and the **[REDACTED]** (assuming that the **[REDACTED]** or any option which may be granted under the Share Option Scheme is not exercised).

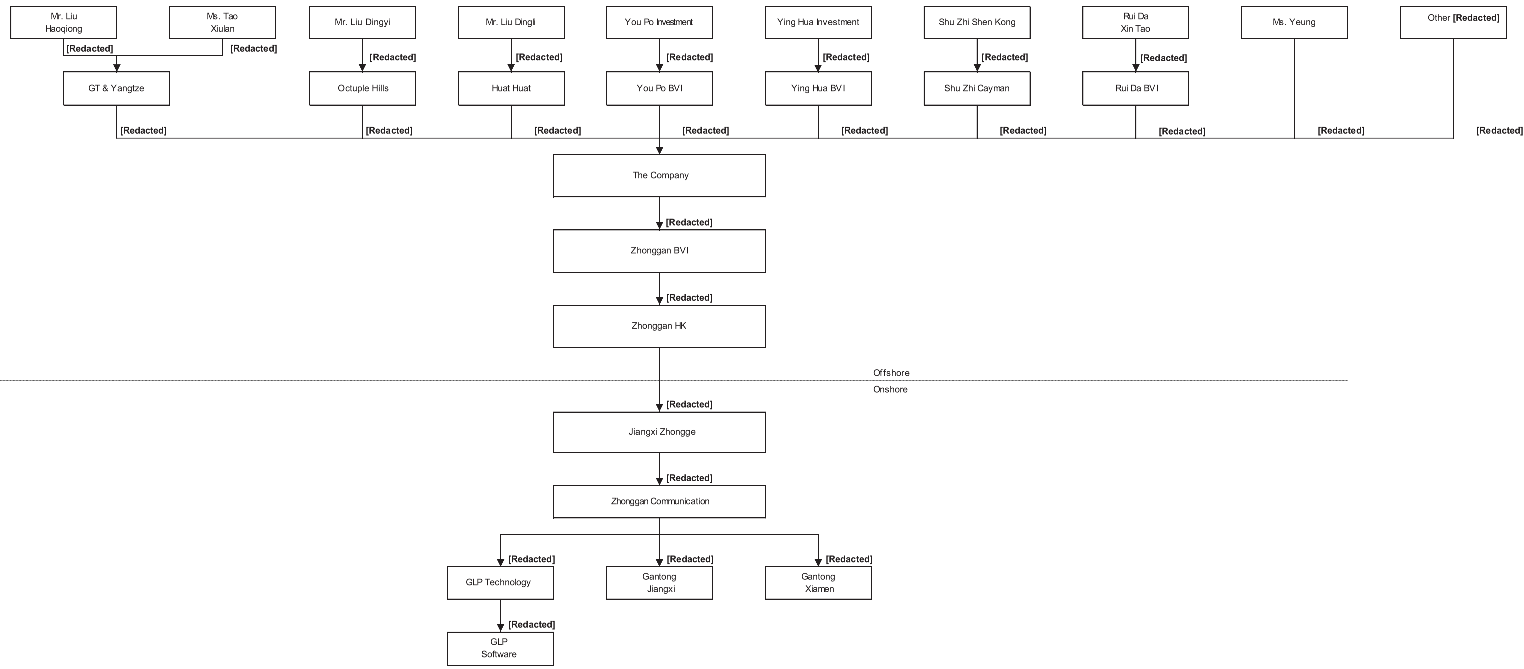
(1) Immediately before the Reorganisation



(2) Immediately after the completion of the Reorganisation



(3) **Immediately after the completion of the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] or any option which may be granted under the Share Option Scheme is not exercised)**



LISTING ON NEEQ AND NEEQ LISTING WITHDRAWAL

On 25 January 2017, all issued shares of Zhonggan Communication were listed and quoted for trading on NEEQ (delisted, previous stock code: 870720). On 9 August 2019, the NEEQ Listing Withdrawal was effective.

The market capitalisation of Zhonggan Communication at the time of the NEEQ Listing Withdrawal was RMB149.70 million based on the closing price of each share of Zhonggan Communication of RMB2.05 on NEEQ and 73,014,600 share of Zhonggan Communication in issue. Following the quotation of the shares of Zhonggan Communication on NEEQ, the Directors found that the trading volume of the shares of Zhonggan Communication remained low due to the fact that trading on NEEQ is restricted to qualified investors using a market maker approach and its corporate profile was not enhanced with the shares of Zhonggan Communication quoted for trading on NEEQ. Against this background, the Directors started to explore the possibility of withdrawing the shares of Zhonggan Communication from NEEQ and to list on other stock exchanges, which would allow it to have direct access to the capital markets and build on its reputation to attract investors as well as to recruit, motivate and retain management personnel.

The NEEQ Listing Withdrawal was approved by the majority shareholders at an extraordinary general meeting of Zhonggan Communication held on 21 June 2019. As part of the arrangements for the NEEQ Listing Withdrawal, on 24 June 2019, Ms. Tao Xiulan had undertaken to purchase such number of shares of Zhonggan Communication at such prices from the then minority equity holders of Zhonggan Communication, so that those shareholders could realise their investments in Zhonggan Communication after the NEEQ Listing Withdrawal without incurring any loss as compared with their investment cost. Such undertakings resulted in various transfers of the shares of Zhonggan Communication which took place between June to August 2019. See the paragraphs under "Subsidiaries – Zhonggan Communication – Transfers of shares of Zhonggan Communication following the NEEQ Listing Withdrawal" for further information.

As confirmed by the PRC Legal Advisers, the Listing Withdrawal was duly completed and the necessary approvals had been obtained and (i) during the period in which the shares of Zhonggan Communication were quoted on the NEEQ, Zhonggan Communication and its directors were not involved in any breach or suspected breach of the applicable rules or regulations of the NEEQ in any material aspects; and (ii) there has not been any matter that needs to be brought to the attention of the regulators and investors in Hong Kong in respect of Zhonggan Communication's quotation on the NEEQ.

On the basis of the above, along with searches performed by the Sole Sponsor, the Sole Sponsor concurs with the view of the PRC Legal Advisers that during the period which the shares of Zhonggan Communication were quoted on the NEEQ, Zhonggan Communication was not involved in any breach or suspected breach of the applicable rules or regulations of the NEEQ in any material aspects.

Previous plan for A-share listing

After the NEEQ Listing Withdrawal, Zhonggan Communication entered into a pre-listing tutoring engagement agreement in June 2020 with a sponsor, AVIC Securities Co., Ltd.(中航證券有限公司), registered with the CSRC (the "**A-share Sponsor**") to explore the possibility of listing of the shares of Zhonggan Communication to one of the two recognised stock exchanges in the PRC.

As part of the preparation works for such preliminary listing plan, in July 2020, the A-share Sponsor filed a notice of pre-listing tutoring for A-share listing application with the local office of CSRC in Jiangxi Province. However, subsequently, the Directors decided to proceed with a **[REDACTED]** on the Stock Exchange as this would (i) enable the Group to have direct access to international markets, which in turn would provide the Group with a viable source of capital to support its business growth; (ii) strengthen the Group's reputation, credibility and competitiveness as the Stock Exchange is an established exchange with a longstanding reputation as one of the leading stock exchanges globally; and (iii) facilitate the Group to attract more investors as there are fewer companies of the same industry that are listed in Hong Kong. In light of the above and taking into account the efficiency of the listing application process on the Stock Exchange, the Directors decided not to proceed with A-share listing. On 24 December 2021, the A-share Sponsor filed a notice of cessation on the pre-listing tutoring with the local office of CSRC in Jiangxi Province. No formal listing application has been submitted by Zhonggan Communication to CSRC. On 27 December 2021, Zhonggan Communication terminated the pre-listing tutoring engagement agreement with the A-share Sponsor in the PRC.

As the A-share Sponsor is not a corporation licensed or registered to carry out Type 6 (Advising on corporate finance) regulated activity under the SFO, which is one of the criterion to act as a sponsor for listing in Hong Kong, nor does it have a group company operating in Hong Kong which can satisfy the relevant requirement, the Company has engaged the Sole Sponsor for the **[REDACTED]**. The A-share Sponsor confirmed that there was no disagreement with the Company regarding the termination of the pre-listing tutoring engagement with the A-share Sponsor. The Directors further confirm that there are no matters relating to the pre-listing tutoring of Zhonggan Communication that would affect the Company's suitability for the **[REDACTED]** or otherwise require to be brought to the attention of the Stock Exchange and potential investors. Based on the independent due diligence performed by the Sole Sponsor, the Sole Sponsor is not aware of any matter relating to the Zhonggan Communication's previous plan for A-share listing which would affect the Company's suitability for the **[REDACTED]**.

PRC REGULATORY REQUIREMENTS

The PRC Legal Advisers advised that the Reorganisation has been conducted in compliance with applicable laws and regulations of the PRC and all necessary regulatory approvals in connection with the Reorganisation have been obtained.

Foreign Investment Law

According to the Foreign Investment Law of the PRC(中華人民共和國外商投資法), foreign investment refers to investment activities conducted directly or indirectly by foreign investors including foreign natural persons, foreign enterprises or other foreign organisations in the PRC. The PRC Legal Advisers confirmed that the business of Zhonggan Communication was not listed under the Special Administrative Measures (Negative List) for Foreign Investment Access (2022 Edition)(外商投資准入特別管理措施)(負面清單)(2022年版)) issued by MOFCOM and NDRC. The PRC Legal Advisers further confirmed that since Zhonggan Communication was converted into a sino-foreign joint venture at the time of the acquisition of 100% equity interest of Zhonggan Communication by Jiangxi Zhongge, no approval from MOFCOM is required for the aforesaid acquisition under the Foreign Investment Law of the PRC.

SAFE registration

Pursuant to SAFE Circular 37, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be restricted from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

Pursuant to SAFE Circular 13, promulgated by SAFE and which became effective on 1 June 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interests in the domestic entity are located.

As advised by the PRC Legal Advisers, each of Mr. Liu Haoqiong, Ms. Tao Xiulan, Mr. Liu Dingli and Mr. Liu Dingyi, who are known to the Company as being a PRC citizen, completed the initial registration in compliance with the SAFE Circular 37 on 20 May 2022.

ODI REGISTRATION

Pursuant to the Measures for the Administration of Overseas Investment (《境外投資管理辦法》) promulgated by the NDRC on 26 December 2017, and became effective on 1 March 2018 and the Administrative Measures for Overseas Investment by Enterprises (《企業境外投資管理辦法》) promulgated by the MOFCOM on 6 September 2014 and became effective on 6 October 2014 (collectively, the "**ODI Rules**"), a domestic institution shall undergo registration procedure for foreign investment in accordance with the provisions of the ODI Rules, which requires the domestic institution to register with relevant authorities prior to its overseas direct investment and obtain relevant record-filing, approval, certificate or permit.

As advised by the PRC Legal Advisers, the PRC ultimate corporate shareholders of the Company, namely Ying Hua Investment, Shu Zhi Shen Kong, Rui Da Xin Tao and You Po Investment have completed their overseas direct investment registration with Shenzhen Development and Reform Commission on 29 August 2022, respectively, and have complied with the relevant ODI Rules.

OVERVIEW

Established in 2002, the Group is a reputable integrated service provider and software developer headquartered in Jiangxi Province of the PRC and focuses on the provision of Telecommunications Infrastructure Services and Digitalisation Solution Services. Since its founding, the Group has established long and stable business relationships with the key players in the telecommunications industry in the PRC including the Big Three, being the three largest telecommunications network operators in the PRC, and the largest telecommunications tower infrastructure service provider in the world. According to the Ipsos Report, the Group ranked third amongst all telecommunications network infrastructure construction and maintenance services providers in Jiangxi Province in terms of revenue in 2023, with a market share of approximately 3.1%.

The telecommunications network in the PRC which comprises wired and wireless network systems has undergone rapid development over the past few decades, and it is now one of the most advanced and sophisticated network in the world. The network system is operated by several state-owned telecommunications network operators in the PRC. These operators continuously improve the network's performance and coverage through investment, technological innovation, and market competition. Telecommunications Infrastructure Services provided by the Group comprise Infrastructure Construction Services and Infrastructure Maintenance Services and are mainly provided to telecommunications network operators. Infrastructure Construction Services mainly involve the construction of telecommunications networks and the supporting infrastructure including the construction of base stations, the configuration of telecommunications equipment, the laying of cables, the construction of electricity generation facilities and foundation works. Infrastructure Maintenance Services mainly involve routine basic maintenance and repairs and restoration works for the telecommunications networks as well as emergency troubleshooting in the event of network failure in order to ensure the reliability and stability of the overall telecommunications network. These services are essential for telecommunications operators to ensure their business to run smoothly while also improving the service quality and user experience of the telecommunications network.

Driven by government policies, the PRC's 5G network has grown to be the largest in the world in terms of the number of 5G base stations. 5G networks are characterised by high bandwidth and data rates, low latency, broad coverage and massive connectivity which provide significant benefit to digital technologies having broad applications in various digitalisation scenarios, such as urban management, healthcare, education, transportation, agriculture, and infrastructure management. Due to the widespread adoption of 5G networks and other technological advancement in general, the Directors consider that the digitalisation solutions which are currently underway will fundamentally change the way in which cities grow and operate as well as the way of life of its residents. Leveraging its in-depth knowledge in the telecommunications industry, since 2018, the Group has been providing Digitalisation Solution Services to customers including telecommunications network operators, local governments, quasi-government institutions, state-owned enterprises and private companies in the PRC. The Digitalisation Solution Services provided by the Group comprise Integrated Solution Services, System Maintenance Services and Software Solution Services. Digitalisation Solution Services generally involve the provision of turnkey and other solutions encompassing system design, software development, installation, implementation and commissioning for use in digitalisation related projects which cover various sectors such as digital healthcare, digital education, digital surveillance, digital government, digital industrial management and digital urban management. For Integrated Solution Services, the Group provides and integrates hardware and software, while for Software Solution Services, the Group provides and integrates software only. To complement the Integrated Solution Services, the Group also provides commissioned System Maintenance Services to ensure the proper functioning of the hardware and software systems.

The following table sets out a breakdown of the Group's revenue by business segments during the Track Record Period:

	Year ended 31 December					
	2021		2022		2023	
	Revenue	Percentage of total	Revenue	Percentage of total	Revenue	Percentage of total
	RMB'000		*RMB'000*		*RMB'000*	
Telecommunications Infrastructure Services						
– Infrastructure Construction Services	344,631	71.9%	309,276	74.9%	463,367	76.1%
– Infrastructure Maintenance Services	25,160	5.3%	33,224	8.0%	37,990	6.2%
Sub-total	369,791	77.2%	342,500	82.9%	501,357	82.3%
Digitalisation Solution Services						
– Integrated Solution Services	107,364	22.4%	10,148	2.5%	41,258	6.7%
– System Maintenance Services	1,963	0.4%	2,044	0.5%	470	0.1%
– Software Solution Services	–	–	58,399	14.1%	66,216	10.9%
Sub-total	109,327	22.8%	70,591	17.1%	107,944	17.7%
Total	**479,118**	**100.0%**	**413,091**	**100.0%**	**609,301**	**100.0%**

The Group's revenue during the Track Record Period decreased from approximately RMB479.1 million for the year ended 31 December 2021 to approximately RMB413.1 million for the year ended 31 December 2022, representing a decrease of approximately 13.8%. For the year ended 31 December 2023, the Group's revenue increased significantly to approximately RMB609.3 million, representing an increase of approximately 47.5%.

The Group's revenue during the Track Record Period was primarily generated from its Telecommunications Infrastructure Services business segment, in particular, its Infrastructure Construction Services business sub-segment, for which its revenue had slightly decreased from approximately RMB344.6 million for the year ended 31 December 2021 to approximately RMB309.3 million for the year ended 31 December 2022, and then increased to approximately RMB463.4 million for the year ended 31 December 2023, accounting for approximately 71.9%, 74.9% and 76.1% of the Group's total revenue, respectively. For the Telecommunications Infrastructure Services business segment, the Group had 261 Completed Projects during the Track Record Period, and 109 On-going Projects and Pre-revenue Projects as at 31 December 2023.

The Group's revenue from its Digitalisation Solution Services business segment decreased from approximately RMB109.3 million for the year ended 31 December 2021 to approximately RMB70.6 million for the year ended 31 December 2022, and then increased to approximately RMB107.9 million for the year ended 31 December 2023, accounting for approximately 22.8%, 17.1% and 17.7% of its total revenue, respectively. For the Digitalisation Solution Services business segment, the Group had 65 Completed Projects during the Track Record Period, and seven On-going Projects and Pre-revenue Projects as at 31 December 2023.

COMPETITIVE STRENGTHS

The Group has a well-established operating history as a reputable integrated service provider in Jiangxi Province specialising in the provision of Telecommunications Infrastructure Services in the PRC

The Group traces its history to 2002 and is a reputable integrated service provider in Jiangxi Province specialising in the provision of Telecommunications Infrastructure Services in the PRC. Since its establishment, and driven by the rapid development of telecommunications infrastructure and networks in the PRC, the Group has expanded its reach to providing Telecommunications Infrastructure Services to customers across the Central Region, Eastern Region, Western Region and Northeastern Region. The Group ranked third amongst all telecommunications network infrastructure construction and maintenance services companies in Jiangxi Province in terms of revenue in 2023, with a market share of approximately 3.1%.

Over the years, the Group has established a proven track record in providing Telecommunications Infrastructure Services to key players of the telecommunications industry in the PRC, primarily large-scale state-owned enterprises, and accumulated extensive experience through undertaking a wide range of Telecommunications Infrastructure Services projects, including 261 Completed Projects during the Track Record Period and 109 On-going Projects and Pre-revenue Projects as at 31 December 2023, involving Infrastructure Construction Services and Infrastructure Maintenance Services with different nature, details of which are set out in the paragraphs headed "Principal services and business model – Telecommunications Infrastructure Services" in this section. As advised by Ipsos, most state-owned enterprises are subject to a set of stringent procedures and conditions as well as robust selection criteria in selecting suitable suppliers for their various projects. The selection criteria include, among others, successful track record, scale and nature of projects undertaken, technical qualifications and permits, financial and operational capabilities, resources allocation and cost effectiveness, etc. The Directors believe that the competitive advantages possessed by the Group, to name a few, its past experience and capabilities, its quality of services and its overall performance in project execution and management, have all contributed to its success in securing projects from its customers.

Furthermore, as a Jiangxi Province-based service provider, the Group's key competitive edges lie in its deep understanding of the local market dynamics, technical requirements and customers' expectations, as well as its ability to provide localised services through better coordination of resources within the province, surpassing other nationwide service providers. In particular, Jiangxi Province presents unique geographical complexities, characterised by diverse terrains environment. Located in the Central Region, Jiangxi Province is mainly hilly and mountainous with extensive basins and valleys. These geographical characteristics impose greater challenges for certain types of infrastructure-related projects to be carried out in Jiangxi Province when compared with other provinces and regions as it requires higher level of skills and expertise plus effective project planning. The Directors believe that the Group possesses the necessary skills and capabilities in overcoming such challenges given its proven track record, and that the Group's extensive experience in undertaking Telecommunications Infrastructure Services projects in Jiangxi Province serves as a significant advantage for the Group to continue strengthening its market footprint and reputation within the province, and to further expand into other regions such as Xinjiang Uygur Autonomous Region and Yunnan Province, details of which are more particularly set out in the paragraphs headed "Business strategies – Continue to expand the Group's Telecommunications Infrastructure Services in the Western Region of the PRC focusing on Xinjiang Uygur Autonomous Region and Yunnan Province" in this section.

As a reputable service provider, the Group's customers during the Track Record Period in respect of its Telecommunications Infrastructure Services business segment included the Big Three (i.e. Customer A, Customer B and Customer D), being the three largest telecommunications network operators in the PRC, with each of whom its business relationships ranged from approximately five to 21 years. Customer A ranked as the PRC's largest telecommunications service provider by revenue and number of fixed network and mobile service subscriptions in 2023 and globally ranked first by revenue in 2023. For the year ended 31 December 2023, the revenue of its listed subsidiary was approximately RMB1,009.3 billion. It provides telecommunications services in 31 provinces, autonomous regions and directly-administered municipalities throughout mainland China and in Hong Kong. Customer B ranked as the PRC's second largest telecommunications network operator by revenue and number of fixed network and mobile service subscriptions in 2023 and globally ranked eighth by revenue in 2023. For the year ended 31 December 2023, the revenue of its listed subsidiary was approximately RMB513.6 billion. It offers emerging integrated information technologies such as 5G and cloud together with related applications for industrial internet, digital energy, digital healthcare and digital parks. Customer D ranked as the PRC's third largest telecommunications network operator by revenue and number of fixed network and mobile service subscriptions in 2023 and globally it ranked eleventh by revenue in 2023. For the year ended 31 December 2023, its revenue was approximately RMB372.6 billion. It operates a wide range of services including mobile broadband, fixed-line broadband, mobile voice, fixed-line voice, ICT, data communications and other related value-added services.

In addition to the Big Three, during the Track Record Period the Group had also provided Telecommunications Infrastructure Services to Customer C. Customer C ranked as the world's largest telecommunications tower infrastructure service provider and has operations across 31 provinces, municipalities and autonomous regions in the PRC. For the year ended 31 December 2023, its revenue was approximately RMB94.0 billion. The business scope of Customer C includes construction, maintenance and operation of base station ancillary facilities such as telecommunications towers, public network coverage in high-speed railways and subways, and large-scale indoor distributed antenna systems.

According to the Ipsos Report, the market size of the telecommunications infrastructure services industry grew from approximately RMB226.2 billion in 2019 to approximately RMB282.6 billion in 2023 and is expected to reach approximately RMB368.2 billion by 2028. The growth will be largely driven by the growth in demand for 5G services as more and more telecommunications companies begin to roll out 5G services and as more and more technology companies begin providing 5G-enabled wireless devices and 5G reliant applications. The Directors believe that the Group's solid relationships with its industry leading customers is a testament to its reputation and capabilities in continuously delivering high quality services that are capable of catering to their exacting demands. Furthermore, the Directors believe that due to its solid relationships with its customers and its industry reputation, the Group is well-positioned to capture the expected future demand for telecommunications infrastructure services in the PRC which can generate consistent and continuous revenue to fuel the Group's future growth.

The Group possesses diversified revenue base and service offerings and is capable of capitalising upon emerging trends in the telecommunications industry by offering Digitalisation Solution Services

While the Group is principally engaged in the provision of Telecommunications Infrastructure Services, sensing the growing demand for the use of 5G networks and digital technologies to transform the way in which cities and businesses operate, the Group expanded its business offerings in 2018 by providing Digitalisation Solution Services. The Group's Digitalisation Solution Services mainly involve providing turnkey and other solutions that integrate the latest digital technologies such as IoT, big data, cloud computing, discriminative AI and/or blockchain technologies which are to be applied in different digitalisation related projects relating to sectors such as digital healthcare, digital education, digital surveillance, digital government, digital industrial management and digital urban management and such other services as may be specifically tailored for use in various sector-specific projects according to the customers' needs. During the Track Record Period, the Group's gross profit from its Digitalisation Solution Services business segment amounted to approximately RMB44.9 million, RMB60.8 million and RMB75.2 million, representing approximately 49.2%, 58.8% and 50.3% of its total gross profit respectively.

According to the Ipsos Report, the Ministry of Housing and Urban-Rural Development of the PRC issued the Interim Management Measures Management Guideline for Pilot National Smart City (《國家智慧城市試點暫行管理辦法》) in 2022 to encourage the development of the smart cities. With 5G networks gaining prominence and replacing older networks, there will be an increasing demand for digital technologies which can take advantage of the faster network speeds, lower latency, increased capacity and improved reliability to access information especially given rising concerns over matters relating to public security, healthcare, food safety and urban management which in turn will create new opportunities for Digitalisation Solution Services. Digital technologies such as IoT sensors can be used to detect changes in the environment, for example, the temperature and humidity in a digital grain depot system, and digital security cameras that incorporate recognition software which can be used to detect and identify people and have significant applications in security and policing.

Taking advantage of the Group's proven track record in undertaking Telecommunications Infrastructure Services projects and business collaborations with the key players of the telecommunications industry in the PRC, the Group has established mutual trust and deeper understanding in the customers' specific needs, objectives and budget, and has gained better insights as to the latest development in terms of technological advancement and adoption of digital technologies in digitalisation related projects across various public and private sectors. In order to capitalise on the growing demand for Digitalisation Solution Services in the PRC, particularly Jiangxi Province, the Group began to conduct research and development of software in 2019, sometimes with the assistance of third-party software programmers, to create its own software and systems. The Directors believe that as a service provider of Digitalisation Solution Services, the Group possesses a key understanding of the needs and concerns of its customers and through the creation of its own software and systems it can better cater to those needs and concerns, which in turn serves to distinguish the Group from its competitors in the field. As at the Latest Practicable Date, the Group had registered over 120 software copyrights in the PRC which are or may be material to the Group's business. For details, please refer to the paragraph headed "Statutory and General Information – B. Further information about the Group's business – 2. Intellectual property rights of the Group" in Appendix V to this document.

Furthermore, according to Ipsos, customers of digitalisation related projects are generally more inclined to procure services from local service providers due to their familiarity with the local business environment and connections with other stakeholders within the market. Throughout the Track Record Period, the Group has been placing a strong focus in developing the Digitalisation Solution Services business segment in Jiangxi Province leveraging its established eminence within the region, and as a result, the Group has successfully secured a total of 63 Digitalisation Solution Services projects in Jiangxi Province, which were generally obtained by way of single-source procurement or by responding to invitation to quote, through which the customers had directly approached and invited the Group to offer its services. The Directors believe that the Group's achievement was largely attributable to its reputation within the telecommunications market in Jiangxi Province in which it has proven itself to be a one-stop solutions provider by offering a mix of customised services ranging from Infrastructure Construction Services, Infrastructure Maintenance Services, Integrated Solution Services, System Maintenance Services to Software Solution Services.

In view of the above, the Directors believe that the Group's diversified revenue base and service offerings set it apart from many of its competitors in the field who may solely rely upon the provision of Telecommunications Infrastructure Services to generate revenue and reduces the risk of over reliance on a single business segment as a driver for growth. Furthermore, given the increasing demand for Digitalisation Solution Services in the PRC, the Directors believe that the Digitalisation Solution Services business segment will continue to grow and develop as a key driver of revenue for the Group.

The Group has a long established business relationships with its suppliers

The Group has over 20 years of operating history and as such it has developed stable business relationships with a wide number of reliable suppliers including suppliers of labour, hardware, third-party software and technical support services.

During the Track Record Period, the Group had made purchases from over 60 different hardware and software suppliers, and the Group had engaged over 50 different labour suppliers. Further, as at the Latest Practicable Date, the Group's approved list of labour suppliers contains over 60 different labour suppliers from which the Group can engage for the supply of labour to perform the requisite tasks. Additionally, its business relationships with each of its five largest suppliers in each year during the Track Record Period ranged from approximately two to nine years as at the Latest Practicable Date. Accordingly, the Directors believe that the Group's network of suppliers will enable the Group to have ready and timely access to quality supplies which will enable it to meet the demands of its customers, and similarly given the Group's network of labour suppliers, not only can the Group ensure the sufficiency of labour in each of its project locations, but also limit its long-term labour and overhead costs which is of significant importance given the project-by-project nature of the Group's services while allowing the Group to focus on the core aspects of its services, namely project planning, overall project management and ensuring that the finished works are capable of meeting the standards and requirements of its customers.

In all, the Directors believe that the Group's access to such a wide variety of steady suppliers creates a solid foundation upon which the Group can rely and utilise to build and expand its business.

Experienced management team

The Group is led by an experienced management team, each member of whom possesses significant industry knowledge and has been instrumental to the development of the Group. Mr. Liu Haoqiong, a co-founder of the Group and also an executive Director and the chairman of the Board, has more than 20 years of experience in the telecommunications infrastructure services industry. The remainder of the Group's management team comprises its directors (Mr. Peng Shengqian, Ms. Xie Xiaolan, Mr. Liu Dingli, Mr. Liu Dingyi and Mr. Zhou Zhiqiang) and senior management (Mr. Tseung Yat Ming), each of whom is well experienced and possesses diverse expertise and skills that covers areas such as management, finance, business development and sales and marketing. The Directors believe that, given the industry knowledge and experience of the management team, the Group will be able to respond to and cope readily with the changing conditions in the telecommunications industry. For further information on the experience and credentials of the management team, please refer to the section headed "Directors and Senior Management" in this document.

BUSINESS STRATEGIES

Continue to expand the Group's Telecommunications Infrastructure Services in the Western Region of the PRC focusing on Xinjiang Uygur Autonomous Region and Yunnan Province

The Group has been one of the key players in the telecommunications network infrastructure construction and maintenance services industry in Jiangxi Province of the PRC and ranked third in Jiangxi Province amongst all players in terms of revenue in 2023. While the Group would continue to devote resources and efforts to developing its Telecommunications Infrastructure Services business segment in Jiangxi Province, in order to further enhance its competitiveness and market share in the PRC, the Group is committed to expanding its Telecommunications Infrastructure Services business segment to other regions of the PRC, in particular the Western Region. The Directors believe that the telecommunications infrastructure services industry in the Western Region of the PRC, particularly in Xinjiang Uygur Autonomous Region and Yunnan Province, is highly competitive and driven by the region's strategic importance in the Belt and Road Initiative and government support for infrastructure development. The industry is experiencing significant growth as it focuses on enhancing connectivity, deploying advanced technologies such as 5G networks, and supporting regional economic development. Companies that can offer innovative solutions, forge strategic partnerships, and navigate the unique challenges of the region are well-positioned to capitalise on the expanding market opportunities in the telecommunications infrastructure services industry in the Western Region of the PRC. As such, the Directors believe that it will be in the Group's interests to broaden its geographical outreach and improve its market penetration in the Western Region, particularly in Xinjiang Uygur Autonomous Region and Yunnan Province, for the reasons set out below:

Xinjiang Uygur Autonomous Region

Xinjiang Uygur Autonomous Region, is an autonomous region located in northwestern China and the country's largest province-level division by area, sharing borders with eight countries including Kazakhstan, Kyrgyzstan, Tajikistan, Afghanistan, Pakistan, India, Russia, and Mongolia. Its strategic location makes Xinjiang Uygur Autonomous Region a transportation and logistics hub in China's Belt and Road Initiative, which seeks to connect China with countries across Asia, Europe, and Africa through a network of infrastructure projects, such as railways, highways, ports, and flight routes. Moreover, Xinjiang Uygur Autonomous Region is also positioned as an important centre for the development of the digital economy and the telecommunications industry under the Belt and Road Initiative. Government policies in Xinjiang Uygur Autonomous Region such as the "Five-Year Planning for the Development of 5G Infrastructure in Xinjiang Uygur Autonomous Region"* (《新疆維吾爾自治區5G通信基礎設施專項規劃(2021-2025年)》) set the goal to accelerate the development of smart cities, smart communities, smart industrial parks as well as 5G commercial applications across various sectors such as digital healthcare, digital education, digital industrial management, digital urban management, digital agriculture and digital transportation with over 70 pilot projects. All these initiatives rely on the support of an established 5G telecommunications infrastructure which advances with time.

According to the Ipsos Report, the local government in Xinjiang Uygur Autonomous Region devoted significant amount of investment to telecommunications infrastructure to facilitate the development of 5G networks in Xinjiang Uygur Autonomous Region, which amounted to approximately RMB1.7 billion, RMB1.7 billion and RMB1.8 billion in 2021, 2022 and 2023, respectively, and is expected to be approximately RMB1.0 billion in 2025. Until December 2023, the number of 5G base stations built in Xinjiang Uygur Autonomous Region had reached 54,000, covering most of the geographical areas within the region. It is expected that in 2025, the penetration rate of 5G networks will become approximately 19.5 5G base stations for every 10,000 people within Xinjiang Uygur Autonomous Region. In light of this, the development of 5G networks in Xinjiang Uygur Autonomous Region is expected to drive even greater demand for telecommunications infrastructure in the region as a dependable and robust infrastructure network is paramount for reaching the objective of advancing its telecommunications industry, thereby taking on its strategic role in the Belt and Road Initiative.

The competitive landscape of the telecommunications infrastructure services industry in Xinjiang Uygur Autonomous Region is similar to that of other provinces and regions within the PRC, comprising of both national players and local players. According to the Ipsos Report, by 2023 there were approximately 22 and six active players in the Xinjiang Uygur Autonomous Region market possessing First Tier Communications Project Implementation General Contracting Enterprises Qualification (通信工程施工總承包) (Class 1), each of whom had won telecommunications infrastructure construction services and/or maintenance services projects with an aggregate amount of approximately over RMB20.0 million and RMB50.0 million, respectively, over the period from 2022 to 2023. Despite the seemingly fragmented market in Xinjiang Uygur Autonomous Region, the expansive geographical area of Xinjiang Uygur Autonomous Region, which is approximately 10 times the area of Jiangxi Province, necessitates a higher number of telecommunications infrastructure service providers to accommodate the development needs within the region. In addition, as advised by Ipsos, in comparison to the infrastructure construction services projects, service providers are less inclined to take part in infrastructure maintenance services projects due to the complex landscape of Xinjiang Uygur

Autonomous Region which consists of deserts, mountains and oases, imposing challenges on service providers in managing and carrying out the labour-intensive infrastructure maintenance works. The Directors believe that the Group possesses competitive advantages in capturing the market demand considering the special feature of the telecommunications infrastructure services industry in Xinjiang Uygur Autonomous Region because of the Group's experience in overcoming such challenges given its proven track record in completing Telecommunications Infrastructure Services projects in Jiangxi Province, which is also known to have unique geographically complexities, characterised by diverse terrains environment, thus requiring a higher level of skills and expertise as well as effective project planning. For details, please refer to the paragraphs headed "Competitive strengths – The Group has a well-established operating history as a reputable integrated service provider in Jiangxi Province specialising in the provision of Telecommunications Infrastructure Services in the PRC" in this section.

The Group has recently started expanding its Telecommunications Infrastructure Services business segment into Xinjiang Uygur Autonomous Region as at the Latest Practicable Date. In view of the growth potential for this area as explained above, the Directors believe that Xinjiang Uygur Autonomous Region's future development will present significant business opportunities for the Group's Telecommunications Infrastructure Services business segment under the Belt and Road Initiative. In addition, after adequate development of the telecommunications infrastructure in Xinjiang Uygur Autonomous Region, it is likely for Xinjiang Uygur Autonomous Region to experience high growth rate in its smart city development that the Group might also be able to benefit from. According to the Ipsos Report, as the demand for high-speed and reliable telecommunications services continues to increase in the region, there will be growing demand for advanced services and applications such as cloud computing, big data and IoT. As a result, Xinjiang Uygur Autonomous Region has been identified as one of the most important areas for the Group's future business expansion.

Yunnan Province

Yunnan Province is actively developing its digital economy, with initiatives such as the "14th Five-Year Information and Communication Industry Development Plan of Yunnan Province"(《"十四五"雲南信息通信行業發展規劃》) promulgated by the end of 2021 which focuses on bringing the development of the telecommunications industry in Yunnan Province to the next level by advancing the establishment and development of a comprehensive digital infrastructure network across the province. It plans to invest in the construction of high-speed broadband networks, 5G networks, and other advanced telecommunications infrastructure to support the development of e-commerce, digital services, and other innovative industries. It sets a target to complete 150,000 5G base stations and 3.25 million kilometres of network optical cable connections within the province by 2025. The 14th Five-Year Plan also emphasises the collaboration and integration with the "Digital Yunnan"（數字雲南）initiatives, which aim to boost the digital transformation and technology development across multiple sectors. In 2023, the Office of the Leading Group for the Construction of Digital Yunnan announced that Yunnan Province will accelerate the construction of Digital Yunnan in six aspects, including consolidating new infrastructure, building a collaborative and efficient digital government, vigorously developing digital economy, building a shared digital society, and vigorously attracting and training digital talents. According to the Ipsos Report, there are currently over 200 5G relevant commercial application projects implemented in Yunnan Province, which include projects relating to digital healthcare, digital education, digital industrial management, digital agriculture, digital grain depot and digital tourism. The provincial government also sets to develop three to five 5G-enabled digital factory as pilot projects.

Additionally, Yunnan Province, being the most southwestern province in the PRC, shares borders with the Southeast Asian countries including Myanmar, Laos and Vietnam. Taking advance of its geographical location, the PRC government has pledged to support Yunnan Province to become the gateway to the vast market of South and Southeast Asian countries. As advised by Ipsos, in response to the government initiatives, the Big Three and the world's largest telecommunications tower infrastructure service provider in 2022 are expanding their services to South and Southeast Asian countries via Yunnan Province. Until 2023, 13 cross-border transmission optical cables have been built connecting operators in Laos and Myanmar to offer broadband services to foreign countries. The Big Three are also committed to devote additional resources to developing the telecommunications industry in Yunnan Province, which sets the ground for the province to become the digital hub connecting South and Southeast Asia. For example, Customer A is carrying out the construction of a dedicated internet data channel in Kunming, which will further enhance the export-oriented international communication and data communication service capabilities for the region. To speed up rural vitalisation, Customer B launched a digital application that offers rural governance with the use of 5G and other advanced technology in the country, in which Yunnan Province actively participated with over 42 counties taking part in it, providing digital governance to over 2,300 villages and 300,000 rural families within the province.

The competitive landscape of the telecommunications infrastructure industry in Yunnan Province is similar to that of other provinces and regions within the PRC, comprising of both national players and local players. According to the Ipsos Report, by 2023 there were approximately 15 and seven active players in Yunnan Province market possessing First Tier Communications Project Implementation General Contracting Enterprises Qualification（通信工程施工總承包）(Class 1), each of whom had won telecommunications infrastructure construction services and/or maintenance services projects with an aggregate amount of approximately over RMB20.0 million and RMB50.0 million, respectively, over the period from 2022 to 2023.

The Group's business operations in Yunnan Province had been one of the key contributors to its performance in the Western Region during the Track Record Period. During the Track Record Period, the Group has undertaken 27 Infrastructure Construction Services projects and three Infrastructure Maintenance Services projects in Yunnan Province. The revenue generated from these projects accounted for approximately 9.9%, 25.1% and 9.5% of the Group's total revenue from its Telecommunications Infrastructure Services business segment during the Track Record Period, respectively, which lays the foundation for the Group to further develop its Telecommunications Infrastructure Services business segment by capturing the expanding market opportunities in Yunnan Province in view of the various measures implemented within the province as abovementioned. The Directors believe that Yunnan Province's relatively underdeveloped telecommunications infrastructure presents promising prospects for the Group's Telecommunications Infrastructure Services business segment. Therefore, the Group will continue to focus on pursuing business opportunities in the rapidly developing Telecommunications Infrastructure Services industry in Yunnan Province which the Directors believe would enable it to capitalise on rising demands for telecommunications infrastructure services.

Selectively pursue strategic acquisitions to strengthen the Group's Digitalisation Solution Services

According to the Ipsos Report, the quality of daily life can be enhanced by applying digital technologies across multiple areas such as healthcare, personal and public safety, living and business environment, public services, transportation and utilities involving various sectors such as digital healthcare, digital government and digital surveillance. As a result of the benefits of smart technologies, the market value of the digitalisation solution services industry in the PRC for the period from 2019 to 2023 grew from approximately RMB2,351.9 billion to approximately RMB3,709.3 billion representing a CAGR of approximately 12.1%. Further, the market value of the digitalisation solution services industry is expected to grow for the period from 2024 to 2028 from approximately RMB4,063.0 billion to approximately RMB5,729.4 billion representing a CAGR of approximately 9.0%. The continuous growth in the market value of the digitalisation solution services industry has also been driven by the increasing urbanisation rate in the PRC due to high income, job prospects and standards of living in urban areas which has led cities to adopt digital technologies in hopes of spurring further economic development and improving the quality of life for its residents while maintaining sustainable development. Further, the PRC government policies have also bolstered the development of the digitalisation solution services industry through the 13th and 14th Five Year Plan for National Informatisation*（"十三五"及"十四五"國家信息化規劃）which placed focus on developing the nation into a self-reliant technological powerhouse. In addition, it is noted in the Ipsos Report, the rapid development of digital surveillance solutions since the "The 14th Five-Year Plan for National Informatisation*（"十四五"國家信息化規劃）" showed that the PRC has gradually shifted to a pan-security era in which the implementation of digital surveillance solutions have extended to transportation, construction, property and other sectors to build up a comprehensive security paradigm and grid management nationwide.

Due to the increasing applicability of digital technologies, since 2018, the Group has begun providing Digitalisation Solution Services to telecommunications network operators, local governments, quasi-government institutions, state-owned enterprises and private companies. Under its Integrated Solution Services business sub-segment, the Group provided "ready to use" customised turnkey and other solutions for use in digitalisation related projects. The Group's Digitalisation Solution Services business segment, particularly the Integrated Solution Services business sub-segment, recorded a significant decrease in revenue of approximately 35.4%, from approximately RMB109.3 million for the year ended 31 December 2021 to approximately RMB70.6 million for the year ended 31 December 2022. The decrease was primarily attributable to the Group's prioritisation of Software Solution Services projects over Integrated Solution Services projects, taking into account the customers' demand and the limited resources available during that period. By focusing on Software Solution Services projects, the Group avoided substantial capital requirements for hardware and equipment purchases associated with Integrated Solution Services projects, thereby enhancing its liquidity. Despite the decrease in revenue, it is crucial to highlight the noteworthy increase in gross profit within the Digitalisation Solution Services business segment. Gross profit for the Digitalisation Solution Services business segment increased significantly from approximately RMB44.9 million to approximately RMB60.8 million during the same period. The increase can be mainly attributable to the high profitability in the Software Solution Services business sub-segment. Furthermore, the Digitalisation Solution Services business segment experienced positive growth in the number of projects. The number of new projects increased from 11 for the year ended 31 December 2021 to 22 for the year ended 31 December 2022 and 28 for the year ended 31 December 2023. Additionally, the project backlog in the Digitalisation Solution Services business segment demonstrated growth, increasing from approximately RMB10.5 million as at 31 December 2021 to approximately RMB23.8 million as at 31 December 2022.

The Directors maintain unwavering confidence in the growth potential of the Group's Digitalisation Solution Services business segment despite the revenue decrease resulting from a shift in focus. It can be evidenced by the increase in revenue from the Digitalisation Solution Services business segment for the year ended 31 December 2023, which recovered to approximately RMB107.9 million, representing an increase of approximately 52.9% as compared to that for the year ended 31 December 2022. Such increase was primarily driven by an increase in the number of Integrated Solution Services projects and Software Solution Services projects. The Group intends to continue expanding its Digitalisation Solution Services business segment in the future. This confidence is supported by various factors, including government support, the increasing adoption of technology, and ongoing urbanisation and infrastructure development. Furthermore, GLP Software was certified as a Double-soft Enterprise*（雙軟企業）in 2023, which demonstrates its strength and capability in research and development. These factors create a favourable environment for the growth and expansion of the Digitalisation Solution Services business segment. According to the Ipsos Report, the digitalisation solution services industry is expected to experience rapid growth, with a CAGR of approximately 9.0% from 2024 to 2028. This positive outlook of the industry further supports the Directors' confidence in the sector's potential. During the Track Record Period, most of the Group's Digitalisation Solution Services projects were based in Jiangxi Province and while the Group anticipates that it will continue to rely on and capture business opportunities in Jiangxi Province, the Directors believe that it is in the Group's interest to expand to other markets in view of the overall size and the expected growth of the digitalisation solution services industry in terms of market value in other provinces and regions of the PRC.

In light of the above, the Group has considered expanding to other provinces and regions of the PRC and has resolved to expand its offerings of Digitalisation Solution Services outside Jiangxi Province. In deciding this direction of expansion, the Directors have taken into consideration both the Group's accumulated experience and the market potential of different provinces and regions in the PRC.

Sector-focused approach in developing Digitalisation Solution Services business segment

Based on its experience in developing the Digitalisation Solution Services business segment and the efforts it devoted to conducting software research and development, the Group has accumulated considerable experience in offering Integrated Solution Services and Software Solution Services in primarily four main sectors within Jiangxi Province, namely, (i) digital healthcare, for which the Group aims to provide hospital management platforms with integrated hardware systems and advanced software technologies to achieve the automisation and optimisation of the functional requirements and routine tasks of hospitals and other medical institutions; (ii) digital education, for which the Group aims to elevate the educational quality and resources allocation efficiency by enhancing synchronisation and storage of data and facilitating knowledge exchange; (iii) digital surveillance, for which the Group aims to provide innovative solutions in capturing and managing surveillance data and to enhance the digitalisation of urban cities; and (iv) digital government, for which the Group aims to streamline the organisational processes across various public administration functions so as to achieve a desirable and efficient governance environment. For the Group's Digitalisation Solution Services business segment, the Group had 61 Completed projects during the Track Record Period, and nine On-going Projects and Pre-revenue Projects as at 31 December 2023, covering the abovementioned sectors.

Reasons for expanding to Guangdong Province and Anhui Province markets

Considering the Group's track record in providing Digitalisation Solution Services within Jiangxi Province, the Directors are attracted by the market potentials of Guangdong Province and Anhui Province in each of which the Directors believe that the Group would be able to leverage its industry experience and technological savvy in capturing new business opportunities. According to the Ipsos Report, Guangdong Province has a high urbanisation rate and the highest GDP amongst all provinces in the PRC. Further, it also has one of the largest base for tertiary industries and is a leading technology hub with significant high-tech manufacturing. Therefore, Guangdong Province has a vested interest in staying at the forefront of technological advancement and innovation to maintain its leadership and competitiveness in those aspects. As for Anhui Province, while its economy is comparatively smaller than that of Guangdong Province, it is home to multiple economic and technological development zones as well as a large cluster of leading PRC appliance manufacturers. Therefore, by embracing digital city technologies, the Directors believe that Anhui can enhance its manufacturing capabilities by integrating advanced technologies such as IoT and automation into its existing industries, which will increase the province's competitiveness nationally and globally and attract further investment. Due to the above reasons, it is expected that both local governments and businesses will be highly willing to adopt digital technologies which will drive the demand for the Group's Digitalisation Solution Services. The market value for the digitalisation solution services industry in both Guangdong Province and Anhui Province is expected to achieve a commensurate growth potential when compared to that in Jiangxi Province. The market value of the digitalisation solution services industry in Guangdong Province and Anhui Province in 2022 was approximately RMB366.8 billion and RMB125.5 billion respectively, whilst the market value of the digitalisation solution services industry in Jiangxi Province in 2022 was approximately RMB86.4 billion. Further, the market value of the digitalisation solution services industry in Guangdong Province and Anhui Province is expected to reach approximately RMB581.8 billion and RMB199.6 billion respectively in 2027, representing a CAGR of approximately 9.5% and 9.6% from 2023 to 2027, respectively, whilst the market value of the digitalisation solution services industry in Jiangxi Province is expected to reach approximately RMB136.7 billion in 2027, representing a CAGR of approximately 9.2% from 2023 to 2027.

Guangdong Province

Furthermore, according to the Ipsos Report, there have been attractive growth potentials for expansion of the Group's Digitalisation Solution Services business segment into Guangdong Province and Anhui Province. In Guangdong Province, it is anticipated that the key growth sectors will be digital surveillance and digital government due to the acceleration in adoption of digital technologies in Guangdong-Hong Kong-Macao Greater Bay Area following the "The 14th Five-Year Plan for National Informatisation* (“十四五”國家信息化規劃)". With the support of government policies, such as the "Key Tasks for Digital Government Reform and Construction in Guangdong Province 2022*(廣東省數字政府改革建設2022年工作要點的通知)", "Digital Economy Promotion Regulations in Guangdong Province*(廣東省數字經濟促進條例)", and the "Guangdong Province Action Plan for the Development of New Generation Artificial Intelligence Innovation (2022~2025)*(廣東省新一代人工智能創新發展行動計劃)", strong focus has been placed on the development and adoption of AI technologies and IoT equipment in the field of security which fosters the ecosystem of digital surveillance equipment within the province. Further, the Guangdong Provincial Department of Science and Technology and the Department of Industry and Information Technology also announced in 2022 that one of its key development areas in becoming a smart city would be the acceleration of itself in transforming from "e-government" to "smart government" by making use of advanced technologies to facilitate system and data integration data mining and knowledge management for improvement of governmental efficiency. It is therefore anticipated that technology innovation and digital transformation would be observed in Guangdong Province, driving the demand for digitalisation solution services in various key sectors, including the digital surveillance and digital government sectors.

Anhui Province

In as early as 2017, the Anhui's provincial government published "The 13th Five-Year Plan for Informatisation Development Planning Notice for Anhui Province"* (安徽省十三五信息化發展規劃的通知). Under the objective of "Smart Anhui", the aim was to become one of the national leaders in the level of informatisation by promoting wide application of information technology in economic, social, cultural and other areas. In particular, a series of key actions were identified including:

- the "Internet + Government Service" initiative: implementation of a unified digital government affairs platform which serves to enhance the public service efficiency, improve service quality and increasing public users' satisfaction as part of the government's action plans to transform from the traditional governance mode to an integrated intelligent and collaborative governance in the new era;

- the "Internet + Education Inclusion" initiative: the upgrading of the education information infrastructure construction and the acceleration of the full implementation of the construction and application of schools with digital education related technologies; and

- the application of new generation information technology for the medical and healthcare sectors initiative: the construction of a distanced medical service platform and related application systems whereby patients and medical and healthcare services providers can be connected over the Internet.

On top of the initiatives abovementioned, in 2020, the provincial government of Anhui Province further published the "Anhui Province Digital Government Construction Plan (2020-2025) Notice"* (安徽省「數字政府」建設規劃(2020－2025年)的通知), which introduced additional policies incentivising the technological advancement in various sectors, including the digital healthcare, digital education and digital government sectors. For example, for digital government, the "Wanshitong"* (皖事通) mobile application operated by the government has allowed the Anhui residents and corporations access to over 1,500 types of public services conveniently. Through the adoption of cloud-based technology at municipalities-vis-province levels, it further facilitates the collection and analysis of big data relating to the government affairs in Anhui. For digital healthcare, the focus would be on the continuous improvement of the national health information online platform which aims to optimise the provision of hospital and doctor consultation services for patients and elderly with chronic diseases, and to strengthen the home-based intelligent services for emergency assistance and rehabilitation care for the disabled. For digital education, the Anhui's provincial government has encouraged the use of AI-related and IoT technologies across the classrooms with the purpose of creating a digitalised and creative learning environment for students.

Commercial rationale for strategic acquisitions

Recognising the significance of timing in capitalising on market opportunities and gaining a competitive advantage, the Directors intend to pursue an acquisition strategy through acquisition of established companies with proven record in the provision of digitalisation solution services particularly those focusing on the digital surveillance and digital government sectors in Guangdong Province, and digital healthcare, digital education and digital government sectors in Anhui Province, respectively, as opposed to establishing new subsidiaries in these provinces. This approach offers several benefits, including immediate market entry, access to an existing customer base, an established reputation, and market intelligence and expertise.

Acquiring an established company allows for immediate market entry, bypassing the need to start from scratch, which can be time-consuming and resource-intensive. Furthermore, acquiring a company provides access to its existing customer base, ensuring an immediate revenue stream and eliminating the need to build a customer base from scratch. During the Track Record Period, the Group's Digitalisation Solution Services projects were generally obtained by way of single-source procurement or by responding to invitation to quote, which according to the Ipsos Report, is not uncommon for digitalisation solution services projects to be obtained in such a way. For single-source procurement or invitation to quote, the customer would directly invite service providers to offer its services as opposed to organising a tender. Leveraging the acquired company's customer relationships enables the Group to establish its reputation in the target markets more rapidly. Additionally, acquiring a company with an established reputation in the target market can expedite market acceptance and facilitate the adoption of the Group's services. Further, as digitalisation solution services are highly dependent on the service provider's technical skills in providing advice and customised solutions, a high degree of understanding of the customer's business as well as their operational need is necessary for the service provider to obtain new business from the customer. According to the Ipsos Report, customers of digitalisation related projects are generally more inclined to procure local service providers due to their familiarity with the local business environment and connections with other stakeholders within the market. Therefore, acquiring a company that possesses market intelligence in the target market and research and development capabilities can provide a significant advantage. The acquired company's understanding of local market dynamics, customer preferences, and cultural nuances can help the Group navigate the new market more effectively, reducing risks associated with market entry. Moreover, the research and development personnel and technical expertise of the acquired company can strengthen the Group's capabilities, enabling the provision of more competitive services and products.

Given that the Group did not undertake any Digitalisation Solution Services projects during the Track Record Period in either Guangdong Province or Anhui Province, its market reputation in these two markets is comparatively limited. As discussed above, pursuing acquisition strategy presents valuable opportunities for the Group to expedite market entry, capitalise on existing customer bases, establish a strong reputation, gain market intelligence, and enhance research and development capabilities. These advantages provide the Group with accelerated growth potential and a competitive edge in target markets. In contrast, pursuing organic growth in a new market may entail initial start-up costs and expose the Group to risks associated with establishing a new subsidiary or branch from scratch. These risks include navigating potentially different business climates and the need to allocate significant existing resources to nurture the new entity. Drawing from the Group's past experiences in establishing branch offices in markets like Guizhou Province, Shanghai, and Zhejiang Province, the Directors consider that organic growth in new markets is a time-consuming process. It typically takes more than three years to establish a presence and build a reputation. This timeline encompasses various activities, such as setting up local offices or subsidiaries, recruiting and training suitable personnel (with a focus on sales, marketing, and research and development), establishing business connections, conducting sales and marketing efforts, and engaging in business development activities. However, the lengthy process of organic growth poses the risk of missing out on opportunities in rapidly growing industries. While organic growth allows for gradual expansion and operational control, it may not align with the speed of growth required to capitalise on market opportunities. Waiting for the organic growth process to unfold could result in falling behind competitors who leverage acquisitions or other strategies for faster market entry.

Selection criteria for potential targets

Aside from the geographical location of the potential acquisition targets, the Group would take into account various other selection criteria on which to evaluate potential acquisition targets that are set out below:

(a) **Qualification requirements** – It is intended that the target companies should possess the qualifications as a "Double-Soft Enterprise*（雙軟企業）", being the "Software Product Certificate*（軟件產品登記證書）" and the "Software Enterprise Certificate*（軟件企業證書）", which would allow the certifications holder to enjoy tax benefits and are considered as recognitions of research and development capabilities.

(b) **Financial and operational track record** – It is preliminarily intended that each of the target companies should (i) have had achieved a net profit of at least approximately RMB10.0 million, and (ii) have secured at least approximately three digitalisation solution services projects with the Big Three, for each of the three most recent financial years.

The Group will carefully consider and evaluate each potential target to ensure that it can integrate with and generate synergy with the Group's existing business. After identifying potential target companies based on the aforementioned criteria, the Group will conduct a detailed due diligence analysis on the target which includes conducting feasibility studies, financial analysis and reviewing relevant contracts, approvals and licences. The Group may also engage legal advisers to advise on any potential legal issues in relation to the investment or acquisition to ensure that the investment or acquisition and operation of the target will not lead to any non-compliance issues or violation of laws and regulations. As advised by Ipsos, based on the criteria there are approximately over 100 software development companies offering solution services in relation to digital surveillance and/or digital government in Guangdong Province in 2022, and approximately 70 software development companies offering solution services in relation to digital healthcare, digital education and/or digital government sectors in Anhui Province in 2022. As at the Latest Practicable Date, the Group had not identified any particular target companies, commenced any due diligence process nor entered into any definitive agreement in relation to the above acquisition.

Based on the market research conducted by the Group and the preliminary estimations of the Directors, the amount of investment costs expected to be applied by the Group to pursue its investment and acquisition strategy in Guangdong Province and Anhui Province in 2024 will be approximately RMB54.3 million and RMB27.1 million, respectively. The Group intends to apply approximately **[REDACTED]** (equivalent to approximately RMB**[REDACTED]**) or **[REDACTED]** of the **[REDACTED]** from the **[REDACTED]** to acquire full ownership in companies specialising in the provision of digitalisation solution services. For further details, please refer to the section headed "Future Plans and **[REDACTED]**" in this document.

Enhancing the Group's liquidity position and financial capabilities in securing new large-scale Digitalisation Solution Services projects

For the Group's services offered under its Digitalisation Solution Services projects, particularly the Integrated Solution Services projects which generally involves provision and procurement of hardware and/or software as well as installation and integration services in accordance with the specifications required by its customers, the Group is generally required to incur significant upfront costs at an early stage (i.e. within the first three months from the date of securing the project) in satisfying the various needs in preparation and implementation of the projects. For example, the Group is usually required to pay a significant sum of payment as upfront costs to its hardware and/or software suppliers for (i) procuring various hardware and third-party software systems and/or (ii) commissioning of technical support and maintenance services if needed. The Directors believe that the Integrated Solution Services business sub-segment operates based on a dual foundation of technology and capital. As advised by Ipsos, in addition to technological advancements, the competitiveness and success of companies within this business sub-segment are significantly influenced by the availability and efficient utilisation of capital resources. As a result, industry players with a robust capital base are better positioned to compete for a broader range of projects, thereby gaining a competitive advantage in the market.

During the Track Record Period, the Group had incurred approximately RMB36.6 million, RMB16.0 million and RMB6.0 million, respectively, as upfront costs under its Integrated Solution Services business sub-segment, involving a total of 16 Integrated Solution Services projects that had incurred payment of upfront costs by the Group. Such amount of upfront costs incurred represented approximately 78.5% of the respective procurement costs under these 16 projects on average. During the Track Record Period, for some large-scale Integrated Solution Services projects, the Group would typically receive payments from its customers after a relatively lengthy period of time, taking into account the implementation timeline of its Integrated Solution Services projects, credit period granted to its customers and the actual timeframe required for its customers to go through their internal procedures. The decrease in upfront costs incurred during the year ended 31 December 2023 was primarily attributable to the early settlement of the customers' initial payment under the Integrated Solution Services projects as a result of the Group's improved efforts in collecting trade debts. As the Group intends to focus on the development and growth of its Integrated Solution Services business sub-segment in future for reasons set out herein, it inevitably entails higher capital requirements. Moreover, while the customer may make progress payment depending on work progress, the Group is generally entitled to payment only after completion inspection and acceptance and trial operation period, subject to retention monies to be released after expiry of the after-sales period. Furthermore, for some of the Group's large-scale Digitalisation Solution Services projects, the Group may only receive payment after the end users, who are typically regulatory authorities or public institutions, have made the corresponding payment to the Group's customers.

As confirmed by Ipsos, for some Integrated Solution Services projects, service providers are required to source and purchase the hardware equipment without advance payment from customers before the completion of the projects. Based on the Group's experience during the Track Record Period, the customers for the Integrated Solution Services projects would only typically make the first payment to the Group approximately four months after the Group's initial cash outlay was incurred. Given that during the Track Record Period, the Group's cost-revenue ratio (i.e. total cost of sales divided by total revenue) under the Integrated Solution Services business sub-segment was approximately 58.5%, 74.6% and 68.4% for the respective years, among which a significant portion of 88.3%, 99.8% and 87.5%, respectively, of the total cost of sales under the business sub-segment was attributable to the direct material costs for the procurement of hardware and software for use in the projects. As a result, without additional funding to maintain sufficient working capital and cash flow for meeting the upfront costs requirements for the Integrated Solution Services projects, it would restrict the Group's financial capability to expand the Group's Integrated Solution Services business sub-segment in future. Therefore, in view of the prolonged customer payment process, it is vital for industry players to maintain a strong cash flow in order to meet the high capital requirements in relation to procurement of hardware and/or software before the execution of the projects, as the amount of upfront costs for such procurements can be highly dependent on the scale of the projects.

The Group had and will continue to place strong focuses in developing the Digitalisation Solution Services business segment in Jiangxi Province. According to the Ipsos Report, the market value of the digitalisation solution services industry in Jiangxi Province grew from approximately RMB61.8 billion to approximately RMB96.1 billion from 2019 to 2023, representing a CAGR of approximately 11.7%, which is expected to grow from approximately RMB104.1 billion in 2024 to approximately RMB150.8 billion in 2028, representing a CAGR of approximately 9.7%. Coupled with the Group's other business strategies including the acquisition of companies specialising in provision of digitalisation solution services in Guangdong Province and Anhui Province and the strengthening of its research and development capabilities, the Directors anticipate that the Group would be in a better position to capture more opportunities for large-scale Integrated Solution Services projects from new customers in the future. As such, in order to better capture future business opportunities, it is of utmost importance for the Group to enhance its liquidity position and financial capabilities to ensure that it will have sufficient cash flow to satisfy the upfront costs requirements when securing new large-scale projects in respect of its Integrated Solution Services.

Furthermore, the Directors believe that by undertaking large-scale projects, the Group would be able to improve its market reputation and competitiveness, and better position itself when approaching and negotiating with customers and prospective customers by possessing a proven track record of notable large-scale projects. Certain customers within the Group's Digitalisation Solution Services business segment may prefer to procure integrated solutions that include both software and hardware components in one package, known as Integrated Solution Services projects. This preference is driven by convenience and the desire to avoid engaging multiple suppliers, while also ensuring compatibility and streamlined support. Thus, the Directors consider that offering only software solutions without an integrated hardware component could adversely affect the Group's competitive position.

While the Group will continue to focus on the development and growth of its Integrated Solution Services business sub-segment, it is worth noting that the gross profit margin associated with Integrated Solution Services projects is generally lower when compared to Software Solution Services projects because the hardware procurement component of Integrated Solution Services projects generally yields a lower gross profit margin. Consequently, it could result in a reduction in the overall gross profit margin of the Group. However, the Group can still generate additional gross profit and net profit through the hardware procurement component of Integrated Solution Services projects given that the project size of Integrated Solution Services is generally larger than that of Software Solution Services. Furthermore, as Integrated Solution Services projects generally involve procurement and integration of hardware and software systems, which necessitate on-going system maintenance and support to ensure proper functioning of the systems, the Group is given the opportunity to offer Infrastructure Maintenance Services to its customers, which further enhances the Group's revenue and gross profit. Taking into account the respective benefits brought by both the Integrated Solution Services and Software Solution Services, the Directors consider that the Group's strategies to continue to focus and develop both of these business sub-segments will optimise business performance of the Group and enhance shareholder value.

In view of its past track record in undertaking and securing new projects for this sub-segment, the Directors anticipate that with sufficient cash flow and enhanced liquidity position and financial capabilities, it would be able to secure new large-scale projects in the coming years. Based on the Group's assessment on the upfront costs requirements for procurement of hardware and third-party software systems generally required for Integrated Solution Services projects, the Group intends to apply approximately **[REDACTED]** million (equivalent to approximately **[REDACTED]** million) or **[REDACTED]** of the **[REDACTED]** from the **[REDACTED]**, together with the Group's internal resources and/or bank borrowings, for payment of the upfront costs required in respect of prospective Integrated Solution Services projects for 2024.

As at the Latest Practicable Date, the Group has been approached by prospective customers through single-source procurement method, and has entered into negotiations with respect to three potential Integrated Solution Services projects. One of such projects will involve provision of services in relation to the digital urban management sector with an expected contract value of approximately RMB50.0 million, and the other two projects will involve provision of services in relation to digital education sector with an expected contract value of approximately RMB65.0 million in aggregate. The Directors are of the view that the negotiations in relation to these potential projects are going smoothly, and that there is a reasonable chance of securing these projects when the customers officially proceed with their procurement processes. If all of these potential projects materialise, it is expected that the Group will need to pay for significant amount of upfront costs of approximately RMB49.1 million in aggregate based on the reasonable estimation of the Directors. The Directors expect to pay for the required upfront costs for these potential projects by applying the **[REDACTED]** from the **[REDACTED]** together with the Group's internal resources and/or bank borrowings. Further, the Group will actively seek new business opportunities to expand its Integrated Solution Services business, the Directors expect that there will be another newly secured project in 2024 for utilising the **[REDACTED]**.

As previously mentioned, the PRC government policies have bolstered the development of the digitalisation solution services industry through the "13th and 14th Five Year Plan for National Informatisation"*(「十三五」及「十四五」國家信息化規劃)and other relevant measures which focus on developing the PRC into a self-reliant technological powerhouse. Coupled with the increasing urbanisation rate in the PRC, the market value of the digitalisation solution services industry is expected to grow continuously at a CAGR of approximately 9.0% from 2023 to 2027. As advised by Ipsos, the number of integrated solution services projects will continue to grow steadily in the near future in view of the various market drivers, and there will be sufficient number of projects available in the market to support the Group's business strategies in developing its Integrated Solution Services business sub-segment.

Strengthening the Group's research and development capabilities to enhance its provision of Digitalisation Solution Services

As previously mentioned in recent years there has been a growing trend globally and in the PRC towards the use of digital technologies such as IoT devices, cloud computing, big data, AI as well as blockchain technologies due to the greater use of 5G networks. Previous generations of wireless network technologies primarily dealt with human communications in the form of voice, data and Internet, whereas 5G networks aim to satisfy industrial communications and drive the digitalisation of the global economy. 5G networks are characterised by high bandwidth and data rates, low latency, broad coverage and massive connectivity as such 5G works have high applicability for digital technologies as it can readily handle the high data transmission rates that are required by digital technologies. Further, the low latency and reliability of 5G networks enables minimal delay in data processing. According to the Ipsos Report, 5G networks are set to gain greater prominence in the coming years as the number of 5G base stations in the PRC grew at a CAGR of approximately 117.8% for the period from 2019 to 2023 and is forecasted to grow at a CAGR of approximately 15.0% for the period from 2024 to 2028, while the overall growth of base stations over the same period was merely at a CAGR of approximately 8.5% and 1.8% respectively. It is also expected that by 2028, the number of 5G base stations will account for approximately 54.0% of all base stations in the PRC.

Digital technologies have broad applications for both governments and industries and are an integral part of any smart city development as they allow for mundane and routine tasks to be carried out automatically and in a coordinated manner thus allowing human resources to be deployed for more complex tasks. For example, big data analytics, IoT devices, discriminative AI, and blockchain technology together create powerful synergies that significantly enhance the potential of both government and various industry sectors. IoT devices generate vast amounts of real-time data that, when combined with big data analytics, provide valuable insights for informed decision-making. Discriminative AI algorithms facilitate human decision-making processes as it classifies data and analyses statistics by identifying patterns or features in the input data efficiently. Blockchain technology ensures data integrity, transparency, and security, fostering trust and accountability in data-driven processes. By integrating these technologies, governments and industries can optimise operations, drive innovation, and create more sustainable, efficient, and secured ecosystems in an increasingly interconnected world, benefiting the society as a whole. Furthermore, the PRC government is also advocating for the wide application of digital technologies to cities and urban areas as having been reflected in various PRC government policies such as "The Industrial Internet of Thing (IIoT) Development Action Plan (2018-2020)*(工業互聯網發展行動計劃(2018-2020年))", "The Notice on Promoting the Accelerated Development of 5G*(關於推動5G加快發展的通知)", "Implementation Opinions on Further Deepening Co-construction and Sharing of Telecommunications Infrastructure to Promote High-quality Development of "Double Gigabit" Networks*（關於進一步深化電信基礎設施共建共用促進"雙千兆"網路高品質發展的實施意見）" and "Overall Plan for Digital China Construction*（數字中國建設整體佈局規劃）".

The Group's Digitalisation Solution Services projects during the Track Record Period generally involved providing turnkey and other solutions which utilised various digital technologies. For example, during the Track Record Period, the Group had applied its self-developed Gantong Digital Area Cloud Management System software and Digital Intelligent Data Analysis Platform software for use in its digital industrial management and digital urban management projects. Given the well-accepted use of the Group's self-developed software systems in its Digitalisation Solution Services projects, the Group has made significant efforts in the research and development of new software systems in order to broaden its offerings so as to be able to provide more comprehensive solutions, and had incurred research and development expenses of approximately RMB19.2 million, RMB17.7 million and RMB25.9 million during the Track Record Period, respectively. As at the Latest Practicable Date, the Group had registered over 120 software copyrights in the PRC which are or may be material to the Group's business. For details in relation to the Group's research and development processes and the Group's intellectual property rights, please refer to the paragraphs headed "Research and Development" in this section and "B. Further information about the Group's business – 2. Intellectual property rights of the Group" in Appendix V to this document. Further, as at the Latest Practicable Date, the Group had 82 employees in its research and development department responsible for undertaking various software research and development tasks.

Establishing a research and development centre

In light of the vast demand for digital technologies and the well-accepted use of the Group's self-developed software systems in its Digitalisation Solution Services projects as well as the importance of the Group's Digitalisation Solution Services business segment to its profitability, the Group intends to strengthen its research and development capabilities by establishing a research and development centre so as to enhance its provision of Digitalisation Solution Services.

The Group intends to initially utilise its research and development centre to mainly focus on developing 5G-enabled digital technologies with two primary objectives: (i) broadening the applicability of sector-specific digital technologies; and (ii) developing the underlying capability of 5G-enabled cloud based technologies particularly on big data analytics and blockchain technology. Cloud based technologies allow the storage and access of data over the Internet and thus simplifies the means by which data can be stored, processed and shared amongst users. When cloud based services incorporate the use of IoT, it can enhance data collection as devices such as IoT sensors can be used to generate and capture data, thus facilitating the creation of new big data, while blockchain technologies can be used to better secure data-sharing while maintaining traceability. With the two primary objectives in mind, the Group plans to devote additional resources to developing new software systems, each of which would incorporate various 5G-enabled technologies and functional modules.

In relation to broadening the applicability of sector-specific digital technologies, the Group intends to develop 5G-enabled software systems tailored for use in sector-focused applications such as those relating to digital healthcare, digital education, digital surveillance and digital telecommunications construction sectors. By leveraging on the characteristics of 5G technology, each of these research undertakings aim to develop a software system which would overcome the technicality constraints exist in the pre-existing software systems which were developed under the previous generations of wireless network technologies. For example, the software to be applied on the digital telecommunications construction sector, if successfully developed, would largely improve the level of automation in project management of telecommunications construction projects by allowing synchronised and closed-loop collaboration and promoting data-driven and visualised decision-making processes by taking advantage of the unique features of 5G network technology including high bandwidth and data rates, low latency, broad coverage and massive connectivity. The Directors believe that it would help telecommunications construction companies to achieve a cost-efficient and effective operational management, thereby increasing their market competitiveness. Meanwhile, the software to be applied on the smart healthcare sector, if successfully developed, would enable hospitals and other medical institutions to operate in an optimised, controlled and innovative manner. The Directors believe that the characteristics of 5G technology would make it possible for real-time and secured exchange and centralisation of information via multiple cloud based IoT networks to be carried out efficiently, enabling the intelligent organisation and analysis of voluminous data utilising advanced technologies such as discriminative AI and big data. It would assist medical practitioners through provision of a more effective knowledge management and a better reasoned decision-making process so as to enable them to formulate more reliable diagnoses and treatment for patients over the traditional diagnosis methods.

In relation to developing the underlying capability of 5G-enabled cloud based technologies, the Group intends to create software platforms offering 5G-enabled software-as-a-service solutions relating to big data, discriminative AI and/or blockchain technologies. Taking advantage of the high-speed, low-latency and large-capacity characteristics of the 5G network, these platforms aim to provide enterprises and users with access to adaptive and innovative solutions in development of various cloud based applications. The Directors believe that enterprises and users could create their customised tools and system modules utilising various user-friendly features such as enhanced data processing capabilities, multi-facet data resources integration and sharing, accelerated development and innovation of software applications, as well as elevated data security and operational efficiency.

The research and development centre is to be located on the 8th floor of the Group's headquarters with an approximate floor area of 1,040 sq. m. Additionally, the Group intends to house an exhibition room in the research and development centre to display and demonstrate the results of the Group's research and development efforts. Currently, the 8th floor of the Group's headquarter, is for general office use and setting up the new research and development centre. The Group plans to renovate the premise, purchase hardware equipment and hire additional research and development personnel.

Hardware equipment and ancillary software systems to be purchased

Set out below are details relating to the major hardware equipment and ancillary software systems to be purchased in relation to the establishment of the research and development centre:

Type and description	Amount of costs to be incurred
	(RMB'000)
(i) ***Equipment for demonstration and showcase of research and development efforts***: The Group intends to purchase additional hardware equipment including humanoid service robot, immersive virtual reality system and digital display systems, mobile digital screens and other projection devices for showcasing its research and development efforts by means of interactive demonstration at the exhibition room, which is expected to be set up inside the research and development centre at the Group's headquarter. With the assistance of these demonstration equipment acting as human user interfaces, the Group's research and development personnel as well as other potential users, visitors and business partners will be able to visualise the applications of the various software systems developed or under development in different sector-specific scenario. These interactive equipment and devices also allow users to view and test run the performance of the software systems by inputting specific instructions and parameters under simulated environment. The Directors believe that it will greatly enhance the process by which sales and marketing activities are carried out as it will enable audiences to better apprehend abstract concept and ideas relating to application of digital technologies. Examples of the major hardware equipment to be purchased include:	7,843

- *Humanoid service robot*: A professional service robot that resembles the human body in shape and is programmable to carry out tasks in different settings which will be primarily used in research projects for demonstration propose;

- *Immersive virtual reality system*: A projection-based virtual reality system that enables users to collaboratively observe, interact with, and manipulate the virtual world objects which will be primarily used for demonstration purpose; and

- *Digital display systems and mobile digital screens*: Interactive display devices which combine the functionality of a traditional display with advanced features such as touch sensitivity, connectivity and other interactive capabilities including screen sharing and monitoring which will be primarily used for demonstration purpose.

Type and description	Amount of costs to be incurred
	(RMB'000)
(ii) ***Centralised storage and backup devices and server systems for maintaining cloud platform infrastructure***: The Group intends to purchase hardware devices and server systems including centralised storage and backup devices and server systems with specific functions (such as server systems for computing, block storage, flash memory storage, graphics rendering acceleration, and security, etc.) that allow and facilitate the development of various underlying capability of 5G-enabled cloud based technologies. Based on the research of the Directors, these devices and systems are essential for the provisioning and management of computing resources for setting up of cloud platform infrastructure which will be utilised by the Group's research and development team to create software platforms offering 5G-enabled software-as-a-service solutions.	6,424
(iii) ***Server room and other supporting systems***: The Group intends to set up an independent server room specifically for housing and securing the various hardware and equipment relating to its research and development activities. It is expected that the server room will be installed with various supporting hardware devices (such as environment monitory devices, power distribution system, air condition and ventilation system), Internet connectivity devices and security systems. The Directors believe that a properly installed and secured server room helps preserve critical and sensitive information and valuable hardware equipment and devices from environmental changes, unauthorised tempering or accidental damage.	2,830
(iv) ***Equipment and devices to support telecommunications construction related research and development activities***: As digitalisation solutions continue to evolve and new technologies emerge, the Directors believe that the telecommunications infrastructure will play an important role in supporting the implementation and growth of the digitalisation solutions industry. As such, the Group intends to acquire various testing and measuring equipment and devices specific for the telecommunications industry which support the undertaking of various telecommunications infrastructure engineering related research and development initiatives of the Group. Examples of the major hardware equipment to be purchased include: • *Telecommunications testing and measuring equipment*: Testing equipment such as transmission testing instrument, wireless network optimisation instrument, network testing instrument, optical cable connectivity tester and multimeter, for verifying proper installation of network cabling which will be primarily used in research projects in relation to telecommunications infrastructure engineering.	1,860

Type and description	Amount of costs to be incurred
	(RMB'000)
(v) ***General research and development systems***: With the Group's business strategy to expand the scale of its research and development team, additional computer hardware systems installed with the necessary operating systems and software development tools will be required to support their day-to-day activities.	440
Total	19,397

Additional research and development personnel to be recruited

In connection with the above, the Group intends to hire a total of 35 personnel who are experienced in the research and development of software technologies which can be applied in the Digitalisation Solution Services projects. Among these additional research and development personnel, the Group expects to recruit approximately four research and development directors, two software architects, three product managers, six requirement engineers, four design engineers, 10 development engineers, four testing engineers and two maintenance engineers, who will all be devoted to undertaking various research and development initiatives for the development of 5G-enabled digital technologies focusing on four major sectors, namely, digital healthcare, digital education, digital surveillance and digital telecommunications construction sectors, and utilising the newly acquired research and development facilities and hardware equipment as abovementioned. Through this strategy, the availability of highly qualified personnel will make the Group's research and development activities more appealing and cost effective. In addition, based on the research and market survey conducted so far, the Directors believe that there is a sufficient supply of personnel with the appropriate qualifications and experience in the labour market within Jiangxi Province.

The following table sets out the number, major qualifications and experience required, job responsibilities and the expected annual salary level for the positions the Group intend to recruit:

Position	Number	Job responsibilities	Expected annual salary level per staff *(Approximately)*	Major qualifications and experience required
Research and development director	4	Responsible for the overall management of the research and development centre and facilitate the research and development undertakings of the Group	RMB400,000	• Postgraduate degree in computer science or other related field • More than 10 years of software development related work experience • Experience in managing teams with more than 20 members and with more than 3 years of experience in managing software development teams • Rich experience in the implementation of solutions in relation to IoT, big data, AI • Proficiency in relevant development technologies and languages • Familiar with common design workflow
Software architect	2	Responsible for the research and development direction of individual research project, overall design of the software system and interface and preliminary development	RMB300,000	• Undergraduate degree in computer science or other related field • 5 to 10 years of software development related work experience • System analysis and software architecture design capabilities • Proficiency in relevant development technologies
Product manager	3	Responsible for designing the user interface, data flow and application of the product and assist in the testing of the product	RMB300,000	• Undergraduate degree in computer science or other related field • 5 to 10 years of work experience as a product manager • Experience in product design • Proficiency in statistical analysis and product planning
Requirement engineer	6	Responsible for analysing and specifying the user and system requirements to accommodate the needs of the users in various industries	RMB150,000	• Undergraduate degree or above in computer science or other related field • 5 to 10 years of work experience and particularly more than 2 years of work experience in business research, demand analysis, and function design • Proficiency in conducting on-site research and using product design software
Design engineer	4	Responsible for the user experience design and user interface design and visual design of the product	RMB200,000	• Undergraduate degree in computer science or other related field • 5 to 10 years of work experience • Proficiency in using product prototype illustration software, graphic design software
Development engineer	10	Responsible for leveraging on customised solutions and research outputs and further developing them as generic products for commercial application	RMB150,000	• Undergraduate degree in computer science or other related field • 3 to 5 years of software development work experience • Familiarity with software development technologies and database systems technologies • Coding capabilities

Position	Number	Job responsibilities	Expected annual salary level per staff *(Approximately)*	Major qualifications and experience required
Testing engineer	4	Responsible for conducting testing on the product according to a set of testing parameters and providing feedback for necessary adjustments and modifications	RMB100,000	• Undergraduate degree in computer science or other related field • 1 to 2 years of software testing experience on various platforms, those with software testing experience at mobile phone manufacturers are preferred • Experience in the testing of mobile phones and tablet products in relation to their functions, performance, stability, automation and other specific features
Maintenance engineer	2	Responsible for the operation and maintenance of the software and hardware, database and server at the research and development centre	RMB100,000	• Undergraduate degree in computer science or other related field • 1 to 2 years of maintenance related work experience • Proficiency in basic theoretical knowledge and operation methods such as operating system, cloud platform, virtualisation, network security, database • Proficiency in configuring various routers, switches, firewall equipment, operating system deployment and maintenance of various services • Familiarity with telecommunications equipment • Proficiency in using more than one programming languages • Preference for those possessing virtualisation, operation system, database, and network related professional and technical certifications

To pursue the Group's strategy to strengthen the Group's capabilities in respect of its Digitalisation Solution Services business segment, the Directors estimated that, based on the quotations obtained and the market research conducted, the total costs expected to be incurred in 2024 in connection with purchasing hardware equipment and ancillary software systems and hiring research and development personnel will be approximately RMB26.3 million. The Group intends to apply approximately **[REDACTED]** (equivalent to approximately **[REDACTED]**) or **[REDACTED]** of the **[REDACTED]** of the **[REDACTED]** to strengthen the Group's research and development capabilities to enhance its provision of Digitalisation Solution Services, of which approximately **[REDACTED]** (equivalent to approximately **[REDACTED]**) will be used to purchase hardware equipment and ancillary software systems, and approximately **[REDACTED]** (equivalent to approximately **[REDACTED]**) will be used to hire additional research and development personnel. For further details, please refer to the section headed "Future Plans and **[REDACTED]**" in this document. The remaining costs required are expected to be funded by the Group's internal resources and/or bank borrowings.

With the support of the major part of **[REDACTED]** from the **[REDACTED]**, the Group will have additional funds to develop its Digitalisation Solution Services business. However, the Directors emphasised that the Group's Telecommunications Infrastructure Services will remain to be its core business and an integral part of its operations. The Directors anticipate the following outcomes as the contribution from the Digitalisation Solution Services business segment grows:

- *Revenue growth*: By investing in the development of the Digitalisation Solution Services business segment, the Group aims to capitalise on the growing demand for comprehensive digitalisation solutions. This strategic expansion is expected to drive revenue growth as the Group captures market opportunities from digitalisation solution services industry and expands its customer base.

- *Diversification*: Increasing the share of the Digitalisation Solution Services business segment allows for further diversification beyond the Group's Telecommunications Infrastructure Services. This strategic move helps mitigate the risks associated with market fluctuations in the telecommunications industry and provides the Group with additional revenue streams.

- *Potential impact on profitability*: The Group sees a potential positive impact on its profitability with an increased focus on its Digitalisation Solution Services. These projects often have favorable margins compared to its Telecommunications Infrastructure Services projects. As the Group expects the contribution from the Digitalisation Solution Services business segment to grow, the overall gross profit margin is expected to improve. This strategic shift will allow the Group to pursue higher margin opportunities, leading to a potential improvement in profitability.

It is worth noting that while the Group is actively developing its Digitalisation Solution Services, the Telecommunications Infrastructure Services will remain a core focus. The Group will leverage its expertise, resources, and customer base in telecommunications infrastructure to support the development and delivery of its Digitalisation Solution Services.

PRINCIPAL SERVICES AND BUSINESS MODEL

The Group principally engages in the provision of (i) Telecommunications Infrastructure Services and (ii) Digitalisation Solution Services in the PRC on a project-by-project basis. The Directors recognised the synergies between the Group's Telecommunications Infrastructure Services and Digitalisation Solution Services, which have contributed to the Group's growth and market presence. The Group's technological expertise in areas such as wireless communications, network management, and IoT connectivity has been effectively applied to develop and deploy innovative digitalisation solutions. Leveraging its knowledge of telecommunications infrastructure, the Group has been able to create customised solutions that address the specific needs of its customers in the digitalisation solution services sector.

Since its founding, the Group has established long and stable business relationships with the key players in the telecommunications industry in the PRC including the Big Three and the largest telecommunications tower infrastructure service provider in the world through provision of Telecommunications Infrastructure Services. The Group's provision of Telecommunications Infrastructure Services has been instrumental in fostering these connections. During the Track Record Period, a substantial portion of the Group's revenue for Telecommunications Infrastructure Services was attributable to these four large-scale state-owned enterprises in the PRC. The duration of the Group's business relationships with each of these entities ranged from approximately five to 21 years, underscoring the long-standing nature of these partnerships. By provision of Telecommunications Infrastructure Services to these customers, the Group not only accumulated extensive experience, but also the Group has established a mutual trust and understanding with the Big Three and the world's largest telecommunications tower infrastructure service provider, as evidenced by the Group's understanding and familiarity with their requirements, preference and expectations. The Group's established customer base from its Telecommunications Infrastructure Services has provided valuable cross-selling opportunities.

The Directors believe that the Group's successful expansion of footprints into the digitalisation solution services market is primarily driven by three main factors: (i) when end users involve governments, regulatory authorities or public institutions, these digitalisation solution services projects are typically commissioned by state-owned enterprises such as the Big Three, the world's largest telecommunications tower infrastructure service provider or other service providers; (ii) by qualifying as an approved supplier for the Big Three and the world's largest telecommunications tower infrastructure service provider through its prior experiences of serving as their service provider in a wide range of Telecommunications Infrastructure Services projects, the Group has secured its place as a preferred service provider for the Big Three and the world's largest telecommunications tower infrastructure service provider in various Digitalisation Solution Services projects; and (iii) the long and stable business relationships established from the Group's Telecommunications Infrastructure Services have set the ground for it to explore and secure business opportunities for Digitalisation Solution Services with these customers, especially considering that such projects are typically obtained through single-source procurement and/or by responding to invitations to quote. To illustrate, take the Big Three's digital surveillance Integrated Solution Services projects undertaken by the Group in Nanchang City, Jiangxi Province as an example. The implementation of this type of projects typically involved the installation of surveillance cameras across the specified areas within the city. Accordingly, it necessitates the service provider to possess a deep understanding and technical knowledge of the geographical distributions and other important parameters relating to the telecommunications network, base stations and wireless communications within the city. Leveraging its successful prior track record, knowledge in the parameters of telecommunication network and facilities in the particular area, as well as expertise and understanding of customer requirements, the Group was able to secure these projects from the Big Three by effectively translating the customer's needs and objectives into actionable plans and successful outcome. Therefore, the Directors believe that the Group's established customer base from its Telecommunications Infrastructure Services is one of the key determining factors for the Group to obtain new business opportunities for Digitalisation Solution Services. This principle applies equally to the other way around, where the Group's capabilities in providing Digitalisation Solution Services to key players in the telecommunications industry in the PRC showcase its ability to undertake projects in both the Telecommunications Infrastructure Services and Digitalisation Solution Services business segments. By offering its Digitalisation Solution Services, the Group has expanded its reach and maximised value for both segments.

Founded in Jiangxi Province, the Group has expanded its operations to 25 provinces, municipalities and autonomous region across the PRC as at the Latest Practicable Date. During the Track Record Period, the Group derived its revenue from its principal services, namely (i) Telecommunications Infrastructure Services, with the sub-segments of Infrastructure Construction Services and Infrastructure Maintenance Services; and (ii) Digitalisation Solution Services, with the sub-segments of Integrated Solution Services, System Maintenance Services and Software Solution Services. The following table sets out a breakdown of the Group's total revenue by business segments during the Track Record Period:

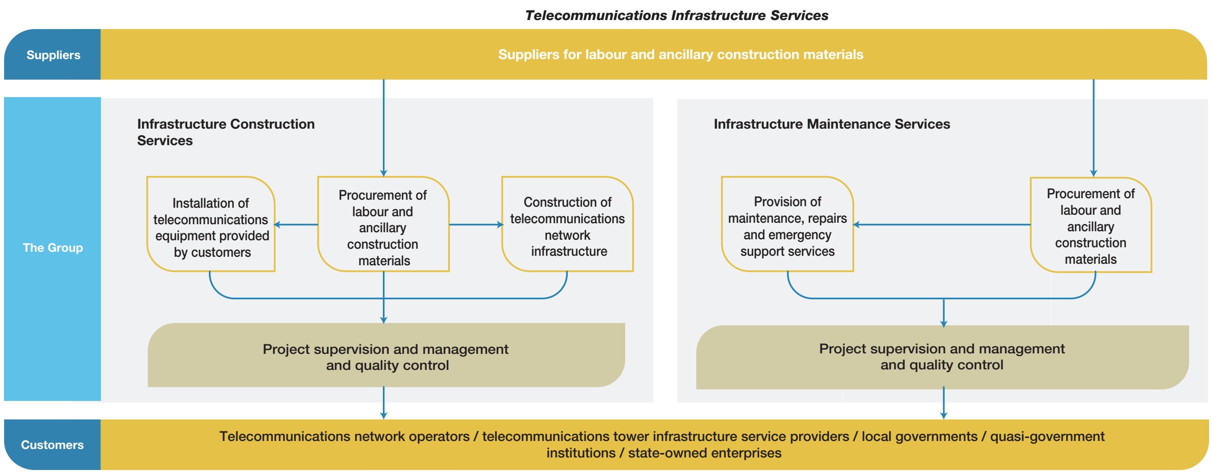
	Year ended 31 December					
	2021		2022		2023	
	Revenue	Percentage of total	Revenue	Percentage of total	Revenue	Percentage of total
	RMB'000		*RMB'000*		*RMB'000*	
Telecommunications Infrastructure Services						
– Infrastructure Construction Services	344,631	71.9%	309,276	74.9%	463,367	76.1%
– Infrastructure Maintenance Services	25,160	5.3%	33,224	8.0%	37,990	6.2%
Sub-total	369,791	77.2%	342,501	82.9%	501,357	82.3%
Digitalisation Solution Services						
– Integrated Solution Services	107,364	22.4%	10,148	2.5%	41,258	6.7%
– System Maintenance Services	1,963	0.4%	2,044	0.5%	470	0.1%
– Software Solution Services	–	–	58,399	14.1%	66,216	10.9%
Sub-total	109,327	22.8%	70,591	17.1%	107,944	17.7%
Total	**479,118**	**100.0%**	**413,091**	**100.0%**	**609,301**	**100.0%**

Telecommunications Infrastructure Services

The Group's Telecommunications Infrastructure Services consist of Infrastructure Construction Services and Infrastructure Maintenance Services, which are utilised by key market players in the telecommunications industry in the PRC to expand and maintain their telecommunications networks. Such key players include telecommunications network operators, telecommunications tower infrastructure service providers, local governments, quasi-government institutions and state-owned enterprises. Telecommunications networks, which enable communication and information exchange, are of fundamental importance to a country. The telecommunications industry is considered a strategic sector that is tied to national security and stability.

The Group possesses the necessary qualification and license in offering its Telecommunications Infrastructure Services including Qualification Certificate of Construction Enterprise*（建築業企業資質證書）and Work Safety License*（安全生產許可證）. After the Group is being awarded of a tender from its customers and has signed the relevant framework agreement or task specific agreement on a project-by-project basis, the Group acts as the main contractor as well as the sole contractor for its Telecommunications Infrastructure Services projects. Depending on the need of the projects, the Group may engage labour suppliers for the provision of labour services to carry out certain sporadic, non-core but labour intensive on-site works, while the Group will retain control over the overall performance of the project and remain ultimately responsible to its customers.

The following chart summarises the Group's principal business activities and business model in relation to its Telecommunications Infrastructure Services business segment:



Infrastructure Construction Services

Infrastructure Construction Services mainly involve the construction, adaptation and installation works of network infrastructure along the entire telecommunications network which generally has a three-layer structure consisting of the core network, transmission network and access network, as well as construction services for other supporting infrastructure and wireless network. As the Group's customers for its Infrastructure Construction Services primarily included telecommunications network operators and telecommunications tower infrastructure service providers who are responsible for the provision of telecommunications-related services and infrastructure in the PRC, the construction and maintenance of network infrastructure therefore play a vital role in supporting the functionality, stability and connectivity of the telecommunications network. During the Track Record Period, a majority of the Group's revenue was derived from the provision of its Infrastructure Construction Services.

In carrying out the various construction works under the Infrastructure Construction Services projects, the Group typically provides its customers with a combination of services primarily including base stations and auxiliary facilities engineering services, power grid connection services, cable installation services, access network related services and wireless network equipment installation services. In order to ensure the timely implementation of the construction works, the Group has dedicated personnel to supervise and monitor the overall work progress and manage the allocation of resources for individual projects, and it also ensures that there are sufficient labour and ancillary construction materials to undertake the relevant tasks upon receiving the work orders from its customers. In addition, as part of the Group's quality assurance procedures, it will conduct testing and commissioning as well as on-site inspections from time to time to ensure that the quality of works meets the specifications and required standards of the customers. The Group is generally not required to procure the major telecommunications equipment (such as transmission lines and cables, base stations and other digital equipment), which will instead be provided by the customers for the relevant installation and integration works.

Set out below are further details of the Group's services involved in the construction, adaption and installation works in relation to the telecommunications network infrastructure for its Infrastructure Construction Services projects:

Nature of services	Description of services
Base stations and auxiliary facilities engineering services	Base stations and auxiliary facilities engineering services mainly involve the construction of base stations together with the installation, adaptation and configuration of the relevant telecommunications equipment including, antennae systems, signal amplifiers and other transmission systems for wireless telecommunications network. Auxiliary facilities engineering services mainly involve the construction of equipment rooms and electricity generation facilities, foundation works for base stations, installation of lighting and surge protection systems and other related facilities.
Power grid connection services	Power grid connection services mainly involve connecting telecommunications networks to the power grid and the installation of transformers or other electrical equipment to convert high-voltage power into low-voltage for the purposes of providing reliable power supply for telecommunications base stations.
Cable installation services	Cable installation services mainly involve the installation, adaptation and expansion of telecommunications pipelines such as trunk pipelines in which electrical and/or optical cables would be laid for fixed line telecommunications networks. Depending on the method used, the Group may also be responsible for the civil engineering works that support the installation of cables, including pole planting and the laying of the cables by way of drilling and trenching works and building of manholes.
Access network related services	Access network related services mainly involve the installation, adaptation and expansion of telecommunications pipelines for the last mile delivery of telecommunications services to the end users' premises to enable the transmission of data, voices, audio, video and other types of information.
Wireless network equipment installation services	Wireless network equipment installation services mainly involve the installation of telecommunications equipment such as indoor antennae distribution systems to ensure the even distribution of wireless signals within buildings, large venues, and other scenarios where indoor wireless communication coverage is required by end-users.

The Group's Infrastructure Construction Services were mainly provided through the use of labour provided by the Group's labour suppliers whereby they would be responsible for the on-site execution of the abovementioned services. The Group would generally rely on the use of labour provided by the Group's labour suppliers as many of its projects are carried out across a large number of geographical locations and, through labour suppliers, the Group can ensure the sufficiency of labour in each of its project locations as otherwise it would be inefficient, ineffective as well as costly were it to attempt to do so through direct labour. Due to the specialised equipment and materials needed for the construction of network infrastructure as well as the need to meet specific technical requirements and ensure compatibility with their existing infrastructure, the Group's customers would generally be responsible for providing the necessary telecommunications equipment while the Group would generally procure the ancillary construction materials through its labour suppliers, if necessary. Further, through the use of labour provided by the Group's labour suppliers, the Group can also limit its long-term direct labour and overhead costs which is of significant importance given the project-by-project nature of the Group's services while allowing the Group to focus on the core aspects of its services, namely project planning, overall project management and ensuring that the finished works are capable of meeting the standards and requirements of its customers.

Projects for the Group's Infrastructure Construction Services during the Track Record Period were generally awarded by way of open tender which would be made available through online platforms, and their contract periods would typically range from one to two years.

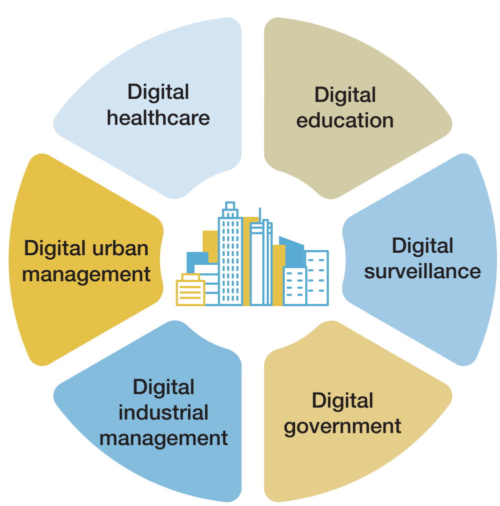
Infrastructure Maintenance Services

Infrastructure Maintenance Services mainly involve carrying out routine basic maintenance, repairs and restoration works and emergency trouble shooting to the telecommunications infrastructure located across rural and urban areas in the PRC. Routine basic maintenance generally requires the Group to carry out periodic maintenance and inspection of network equipment, telecommunications base stations, lightning protection grounding systems and other related or ancillary equipment, while repair and restoration works generally relate to dated telecommunications infrastructure that are in disrepair. As for emergency trouble shooting, this generally relates to situations where there are major network failures and in such an event the Group would normally provide technical support and would carry out on-site emergency repairs as needed. A typical Infrastructure Maintenance Services project would generally last for approximately one to three years. In general, the on-site works under Infrastructure Maintenance Services would be carried out with the use of labour provided by the labour suppliers while the Group would oversee and manage the works carried out to ensure work quality.

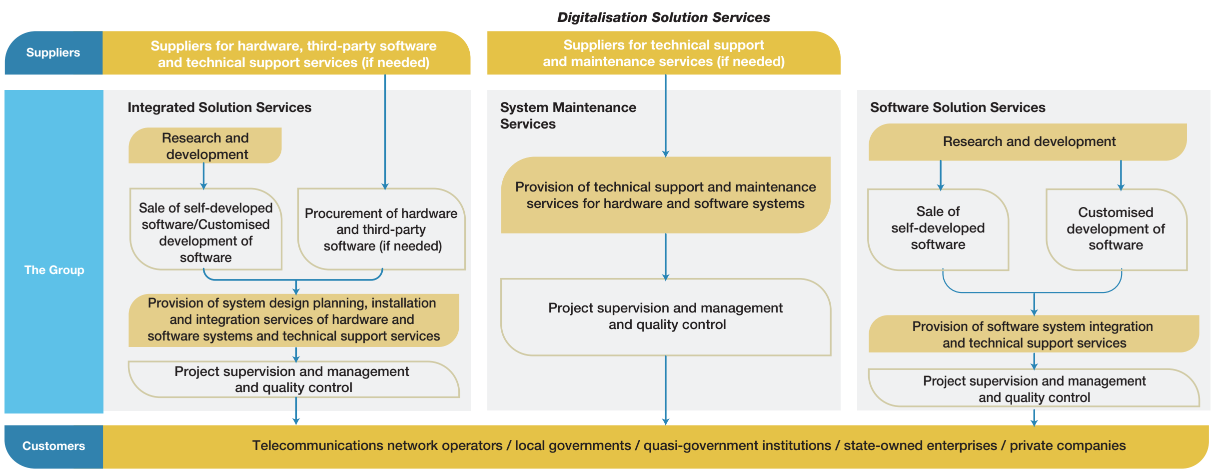
Projects for the Group's Infrastructure Maintenance Services during the Track Record Period were generally awarded by way of open tender which would be made available through online platforms.

Digitalisation Solution Services

Digitalisation Solution Services aim to improve the operational efficiency and productivity of its customers through incorporating digital technologies such as IoT, cloud computing, big data, discriminative AI and blockchain to enable the integration of various hardware and software systems under a unified platform. Digital technologies, by integrating computing and telecommunications, transform traditional systems into intelligent and interconnected networks. These technologies excel in collecting, processing, and sharing data in real-time, which drives optimisation and automation of various operations. This data-driven approach fosters efficiency and effectiveness in decision-making, empowering systems to be predictive and adaptive. As a result, digital technologies can proactively anticipate changes and adapt accordingly, enabling seamless, dynamic responses in diverse applications. This continual evolution sets the stage for innovative solutions and growth across multiple sectors. During the Track Record Period, the Group adopted a sector-focused approach and had undertaken various Digitalisation Solution Services projects which related to various sectors including digital healthcare, digital education, digital surveillance, digital government, digital industrial management and digital urban management, etc., and had provided its services to telecommunications network operators, local governments, quasi-government institutions, state-owned enterprises and private companies. During the Track Record Period, the Group's customers would generally approach the Group via single-source procurement method and/or by way of invitation to quote to directly solicit its Digitalisation Solution Services as opposed to the open tendering process for the Group's Telecommunications Infrastructure Services projects. Set out below are the key sectors on which the Group's Digitalisation Solution Services projects focused during the Track Record Period:



Digitalisation Solution Services business segment comprises three business sub-segments, namely, Integrated Solution Services, System Maintenance Services and Software Solution Services, allowing customers to procure the services according to their actual needs. The following chart summarises the Group's principal business activities and business model in relation to its Digitalisation Solution Services business segment:



Integrated Solution Services

Integrated Solution Services generally involve providing turnkey solutions through (i) system design planning used to ensure that the resulting solution is capable of meeting the objectives defined by the customer; (ii) supply of hardware and software and installation and integration services to ensure that the components meet the requisite specification and possess all the necessary functions and features while ensuring that the components are capable of operating together in a seamless fashion; and (iii) provision of after-sale services such as technical support services to ensure that the systems can function properly and stably.

Integrated Solution Services primarily involve provision of a comprehensive digitalisation solution that includes all the necessary hardware and software components in a single package. The hardware is sourced from approved third-party suppliers, while the software consists of both self-developed software and software sourced from approved third-party suppliers. The self-developed software includes ready-to-use software and customised software designed specifically for customers, typically developed by the Group's research and development team, sometimes with the assistance of third-party programmers. For further details of the Group's research and development processes, please refer to the paragraphs headed "Research and development" in this section. Depending on the requirements of the customers, the Group may also provide after-sales services such as remote and/or on-site technical support services and software upgrade services.

As confirmed by the Directors, the table below sets out some examples of the Group's major sector-specific projects that the Group had undertaken under its Integrated Solution Services business sub-segment during the Track Record Period:

(i) Integrated Solution Services projects involving both (a) sale of the Group's self-developed software/customised development of software systems and (b) hardware and software systems integration services:

Sector	Relevant Integrated Solution Services project:	Key features which correspond to the sector:
Digital government	Digital city management project (phase 1-operation) agreement in Qingshan Lake District	The Group's digital systems encompass sophisticated features. Examples of the notable modules include: • Data analysis leverages big data for comprehensive cross-analysis, statistical queries, and in-depth examination; • Blockchain implementation utilised in data security and authentication, fostering decentralised data storage to mitigate data manipulation while preserving traceability; and • Big data enhanced flexibility and efficiency and facilitate highly adaptable and efficient operations.
Digital surveillance	Digital city management (phase 1-surveillance system integration service agreement)	
Digital healthcare	Hospital intelligent informatisation engineering project in Linchuan District	The digital hospital systems provided by the Group leverage advanced software technologies to satisfy the functional requirements of hospitals. Examples of the notable modules include: • Medical technology services module – it encompasses components such as (i) radiology information system/picture archiving and communication system, which streamlines storage, management, and sharing of radiology images and data, reducing image loss risks, thereby enabling faster diagnosis and treatment in radiology departments; (ii) endoscopic management, which optimises procedure scheduling, preparation, and documentation, while facilitating equipment utilisation tracking and maintenance oversight, enhancing operational efficiency and patient safety; and (iii) electrocardiogram management, which streamlines data storage, analysis, and dissemination, aiding healthcare professionals in precise cardiac condition detection, diagnosis, and patient progress monitoring, enhancing clinical outcomes and resource efficiency. • Treatment services module – it encompasses components such as (i) hemodialysis management, which optimises hemodialysis treatment scheduling, monitoring, and documentation, enhancing patient safety through meticulous tracking of treatment parameters and outcomes; (ii) surgical anesthesia management, which streamlines planning, administration, and monitoring of anesthesia in surgical procedures, ensuring accurate dosages to mitigate complication risks; and (iii) intensive care management, which enable healthcare professionals to effectively monitor and manage critically ill patients, streamlining vital sign tracking, medication administration, and patient progress, thus bolstering informed decision-making and treatment optimisation.

(ii) Integrated Solution Services projects mainly involving hardware and third-party software systems integration services:

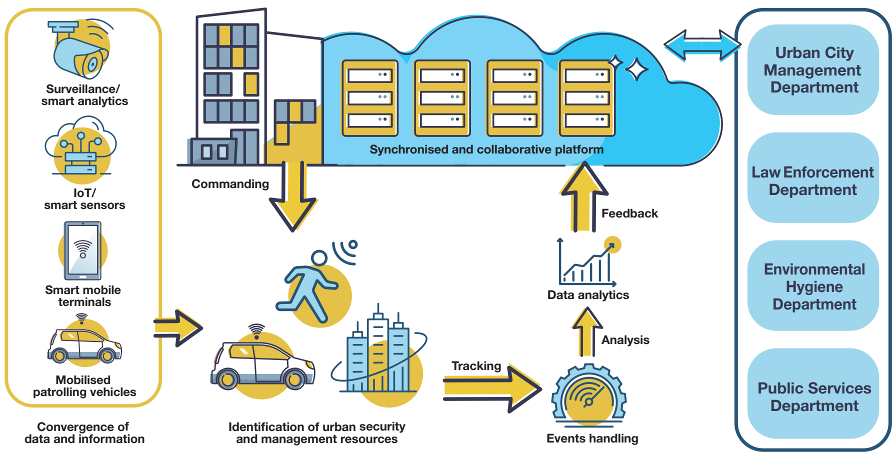
Sector	Relevant Integrated Solution Services project:	Key features which correspond to the sector:
Digital education	Safe campus construction project in Lichuan County	The digital education integration services provided by the Group aimed to elevate educational quality and optimise resource allocation by synchronising, storing data, and enhancing communication and teaching efficiency between teachers and students. Examples of notable modules include tailored user interfaces for lesson preparation and teaching modes; cloud storage support for remote access to teaching materials; VR technology and digital information integration for immersive remote interactive classrooms; central management and deployment strategies for digital classroom devices; and compatibility with various teaching equipment, such as interactive intelligent devices and integrated projector whiteboards.
Digital grain depots	Intelligent grain depot upgrade and reconstruction project	The digital grain depot integration services provided by the Group features an assortment of modules, including IoT granary sensors for tracking inventory levels, aging, and monitoring food safety parameters such as heavy metal concentrations and other contaminants. This ensures up-to-date statistics through efficient classification management. Moreover, the system provides energy consumption data and automated temperature control system, enabling optimal storage temperatures for grains and foodstuffs, minimising waste. Additionally, the digital grain depot systems incorporate data security modules with blockchain technologies, guaranteeing the accuracy and integrity of the stored information.

Set out below is a case study example to further illustrate the Group's service offerings under its Integrated Solution Services business sub-segment:

Digital Urban City Management Platform

During the Track Record Period, the Group successfully completed two Integrated Solution Services projects for Customer B's digital urban city management initiative. The projects involved designing, developing, and customising the Digital Urban City Management Platform. The Group also procured and integrated hardware and software systems, providing comprehensive after-sale technical support. The Digital Urban City Management Platform is primarily utilised for enforcement and urban city management, with specific functionalities determined by the integrated modules. The Digital Urban City Management Platform utilises digital technologies such as big data analytics, discriminative AI and IoT to address the specific needs of its target customers, including government authorities. It enhances data collection, streamlines reporting systems, and improves working efficiency for government authorities. The platform enhances law enforcement operations through advanced surveillance capabilities, enables efficient resource allocation and management, and facilitates informed decision-making by consolidating and analysing a large volume of data. By providing a synchronised and collaborative platform, it improves overall urban city management and supports effective governance.

The following diagram illustrates the operational concept of the Digital Urban City Management Platform:



Features and functionalities of the Digital Urban City Management Platform

The Digital Urban City Management Platform offers a range of features and functionalities that leverage technologies such as big data analytics, discriminative AI and the IoT to enhance its performance. Below is an overview of these features:

(a) *Big data collection:* The Digital Urban City Management Platform collects a vast amount of data from diverse sources, including strategically deployed surveillance cameras and sensors. With the ability to integrate different modules, it gathers data related to enforcement and various aspects of urban city management. This includes information on crimes, environmental hygiene and emergency incidents, etc. By comprehensively gathering data, the platform provides a holistic view of the urban security and environment, supporting informed decision-making.

(b) *Data integration, processing, and analysis:* The Digital Urban City Management Platform excels in seamlessly integrating, processing and analysing the vast amount of data it collects. It establishes a unified framework for effective data management, employing advanced algorithms and statistical techniques. By organising and aggregating the data, the platform uncovers hidden patterns, trends, correlations, and anomalies that are crucial for informed decision-making in enforcement and urban city management. These data-driven insights empower stakeholders to gain a comprehensive understanding of various urban dynamics and optimise their strategies accordingly.

(c) *Real-time monitoring and predictive analytics:* The Digital Urban City Management Platform offers robust real-time monitoring capabilities, continuously analysing incoming data. Leveraging advanced algorithms and predictive analytics techniques, it swiftly detects and predicts events or situations that require immediate attention. By identifying incident hotspots and abnormal conditions relevant to urban security and management, the platform enables quick and effective response measures. It generates alerts and notifications, ensuring public safety and mitigating risks.

Major modules of the Digital Urban City Management Platform

The Digital Urban City Management Platform serves as a comprehensive urban city management tool for government authorities. It consists of multiple system modules tailored to specific functionalities. Details of major modules are set out as follows:

(a) *Security and crime prevention*

- Surveillance cameras are strategically deployed throughout the jurisdiction, including installation in public spaces and patrolling vehicles, to collect photographic information. The collected images undergo preprocessing to improve their quality and reduce distortion. Subsequently, through image analysis and data conversion processes, relevant features, such as objects or individuals, are extracted from the real-time images. These extracted features are then subjected to algorithmic analysis, enabling the identification of movement patterns, detection of suspicious activities, and recognition of potential security threats. When suspicious activities are detected, it generates immediate response and automatically triggers alerts for the law enforcement department to deploy relevant personnel to the incident location to undertake corrective actions. Further, the obtained insights from this analysis empower the enhancement of security measures, optimisation of human resource allocation, and allocation of additional personnel to monitored areas, effectively preventing or minimising criminal incidents.

(b) *Construction site management*

- Surveillance cameras deployed in the construction site capture real-time images of construction sites, which undergo an analog-to-digital conversion process in which the analog signals are converted into digital data by the system. The images are first preprocessed to enhance quality and reduce distortion. Relevant features, such as objects and safety hazards, are then extracted from the images. Through algorithms the extracted features are analysed and classified accordingly. The resulting data is structured and represented in a format that can be easily processed and interpreted. Users can leverage this converted data to make informed decisions and take immediate actions. For instance, if a safety hazard is detected, authorities can promptly alert construction companies or personnel and enforce corrective measures.

- On-site noise detection sensors deployed in the construction site are connected to a data acquisition system which converts the analog signals captured into digital format. The digital data is processed by applying techniques like filtering and signal analysis to extract relevant noise level information. Algorithms are utilised to calculate noise levels, and these calculated noise levels are compared against the permissible limits set by local noise regulations. This comparison enables the identification of specific periods or timeframes that the noise levels consistently exceed the acceptable thresholds. This information can enable relevant local government authorities to impose penalties on non-compliant construction companies or implement relevant noise reduction measures near the construction sites to minimise disturbance to nearby residents or businesses.

- On-site dust sensors installed in the construction site are connected to a data acquisition system which processes the digital data by applying techniques such as filtering and calibration to extract dust level information. Dust levels in the construction sites are monitored by using devices connected by IoT technology. Similar to the noise detection sensors, the platform can monitor the amount of discharged pollutants at the construction sites according to the scale and nature of the construction project, taking into account the complexity of the terrain, the wind direction, the layout of pollution sources and the environmental air protection objectives by generating real-time information, alerts and queries in case of abnormalities detected.

(c) Street order management

- Surveillance cameras are deployed throughout the jurisdiction to capture real-time footage of street activities. The images captured by the cameras undergo an analog-to-digital conversion process in which the analog signals are converted into digital data. The processed image data can be transmitted over networks for storage or further analysis in the system. Algorithms can be applied to extract meaningful information from the image data within the system, allowing for the analysis and identification of unauthorised street vendors and illegal peddlers. This module can enable users to detect patterns, behaviors, and anomalies associated with street order violations, such as illegal hawker activities. Government authorities can then decide whether to carry out enforcement actions.

User interface

Set out below is a screen shot of the user interface of the abovementioned Digital Urban City Management Platform which had been applied to the digital government and digital surveillance sectors, showing a sample of the system overview:

System Maintenance Services

To further enhance the services offered under the Digitalisation Solution Services business segment, the Group would also provide commissioned technical support and maintenance services for the hardware and software systems delivered under its Integrated Solution Services projects to ensure those systems are performing properly. Depending on the specific requirements of the customers, the Group's System Maintenance Services generally include (i) day-to-day system and network maintenance and data back-up support services; (ii) 24/7 technical support and consulting services; (iii) system migration solution services; and (iv) emergency trouble shooting services. When required, the Group would also provide on-site support services by sending technical personnel to the end users' premises. During the Track Record Period, the length of the System Maintenance Services projects undertaken by the Group generally lasted for four to five years.

Software Solution Services

Software Solution Services focus on (i) sale of self-developed software and (ii) delivering customised software development services. The Group's software solutions are designed to assist in streamlining and automating operational tasks of end users. The Group has the capability to offer its self-developed software and/or deliver customised software development services, sometimes with the assistance of third-party software programmers, which suit the needs of end users across various sectors, such as digital healthcare, digital government, digital industrial management and digital telecommunications construction. To meet the demands and requirements of its customers, the software solutions provided by the Group encompass software system platform and sector-specific software modules (to be incorporated as components of the software system platform) which are suitable for and able to perform different tasks for end users in different key sectors. As such, this business sub-segment concentrates on the research, design, and coding that culminates in software creation and customised development. For further details of the Group's research and development processes, please refer to the paragraphs headed "Research and development" in this section. As confirmed by the Directors, the table below sets out some examples of the Group's major sector-specific projects that the Group had undertaken under its Software Solution Services business sub-segment during the Track Record Period:

(i) Software Solution Services projects involving sale of self-developed software

Sector	Relevant Software Solution Services project:	Key functions which correspond to the sector:
Digital industrial management	Digital industrial park management platform procurement project	The industrial park management platform aims to provide a one-stop solutions platform offering a centralised management tool to manage various business functions within an industrial park. Its key functional modules include but not limited to: • Building management module – facilitates the rapid registration, categorisation, and tracking of the industrial park's fixed assets such as production facilities, venues, offices and residential complexes. • Room management module – complementary with the building management module, it provides precision room management and control down by enabling detailed administration of critical data points, including room-specific rentable space, rental rates, property management fees, occupancy status, and vacancy duration metrics. • Tenant management module – it is designed to enable seamless integration with individual tenants' account information. It facilitates the configuration and administration of partitioned industrial park zones, promoting efficient and highly targeted management strategies. • Leads management module – it encompasses advanced tracking mechanism for business development information leads, as well as algorithms for configuring and prioritising leads based on client-specific data. The system dynamically displays activated leads, enabling efficient personnel assignment for monitoring business development.

Sector	Relevant Software Solution Services project:	Key functions which correspond to the sector:
Digital industrial management	2022 industrial cloud platform agreement	The industrial IoT data fusion management platform serves as a digital government solution providing data integration across various application systems. Its key functional modules include but not limited to: • Category management module – it intends to streamline the organisation and classification of diverse IoT devices based on their specific functionality, facilitating efficient identification and deployment. • Physical model management module – it intends to manage the digital representation of physical IoT devices, enabling accurate modeling and simulation of device behavior within the platform. • Message transformation module – it intends to convert and standardise communication protocols between IoT devices and the platform, ensuring seamless interoperability and data exchange. • Transparent access module – it intends to enable the direct and secure connection of IoT devices to the platform, while maintaining the original data format, ensuring seamless integration and minimal latency. • Data visualisation module – it intends to translate complex IoT data sets into visually intuitive representations, enabling end users to make informed decisions based on real-time analytics and insights.
Digital telecommunications construction	Visual monitoring and management platform services	The visual monitoring management platform aims to utilise the blockchain credible certificate depository traceability function to monitor and analyse the big data relating to costs, output and progress within the business life cycle of telecommunications construction. Its key functional modules include but not limited to: • Personal computer-interface business module – it visualises a user-friendly interface which facilitates the inspection and analysis of raw data related to different stages of an information infrastructure project, presents and analyses detailed performance metrics and payment and receipt information, and generates output value specifics. By providing a comprehensive review and in-depth analysis of these critical data points and key performance indicators, such as financial receipts, operational costs, and overall output value, it enables improved decision-making and project management through advanced computational algorithms. The Directors believe that the platform can allow optimisation of resources and enhance operational efficiency of project management.

(ii) Software Solution Services projects involving provision of customised software development services

Sector	Relevant Software Solution Services project:	Key functions which correspond to the sector:
Digital healthcare	Digital hospital outpatient management platform (stage 1) system integration service procurement agreement Digital hospital inpatient management platform (stage 2) system integration service procurement agreement	The digital hospital outpatient management platform seeks to enhance patient satisfaction, improve clinical efficiency, and reduce operational costs, ultimately transforming the outpatient experience into a more convenient, efficient, and accessible system for both patients and healthcare providers. Its key functional modules include but not limited to: • Outpatient registration system – it captures patient demographics and contact details during registration and efficient queue management reduces wait times and ensures smooth patient flow. Integration with electronic health records allows seamless updating and retrieval of medical records. Also, the module generates insightful reports and analytics, allowing hospital administrators to monitor key performance indicators and continuously improve outpatient services. • Inpatient registration system – it provides a seamless process for patient transferring from outpatient care to inpatient care or directly admitting for planned procedures or treatments. Key functions include capturing patient information, assigning beds and rooms, and managing transfers or discharges. This system ensures efficient utilisation of hospital resources, facilitates communication among healthcare providers, and optimises patient care by maintaining accurate and up-to-date medical records throughout the inpatient stay. • Patient record system – it manages and stores comprehensive electronic health records for patients, containing medical history, diagnoses, medications, treatments, and test results. It improves information accessibility, facilitates care coordination among healthcare providers, and supports informed clinical decision-making. Working in tandem with the outpatient and inpatient registration systems, it ensures that newly registered patients' records are created or updated, and that registered patients maintaining consistent and up-to-date records throughout the care journey.

Sector	Relevant Software Solution Services project:	Key functions which correspond to the sector:
Digital government	Public opinion big data monitoring cloud platform custom development service	The public opinion big data monitoring cloud platform aims to collect, analyse, and visualise vast amounts of online data, including news articles, social media posts, and forum discussions, to track public sentiment and trends related to specific topics, brands, or events. Its key functional modules include but not limited to: • Daily hotspot analysis system module – it is designed to identify and analyse trending topics, popular search terms, and viral videos in real-time, providing users with valuable insights into the latest developments and public interests. With key components like selected hotspot information system, the module curates and presents top trending news and articles from various sources. The hot keyword search function features tracking of popular search queries, helping users understand current interests and concerns. Lastly, the trending video tracking function identifies and showcases viral video content, offering a glimpse into what's capturing the public's attention. • Intelligence search system module – it aims to provide a comprehensive platform designed to provide users with easy access to a wealth of information, including research reports, industry data, and trending insights. With key components like intelligence search engine, the module enables users to efficiently search and retrieve relevant information from various sources. The data system priorities trending data sets and statistics, helping users to stay informed on the latest developments and popular topics. By integrating these components, the intelligence search system serves to empower organisations and individuals to make informed decisions, gain a competitive edge, and stay ahead in their respective fields.

Set out below is a case study example to further illustrate the Group's service offerings under its Software Solution Services business sub-segment:

Public Opinion Analysis Software Platform

During the Track Record Period, the Group undertook a Software Solution Services project for Customer A's public opinion big data monitoring cloud platform. As part of the service offerings, the Group developed and customised the Public Opinion Analysis Software Platform, provided software system design, planning, and testing services, and provided daily maintenance and after-sales technical support to users. The Public Opinion Analysis Software Platform leverages digital technologies such as big data analytics, discriminative AI and cloud computing to meet to the specific needs of government authorities and commercial enterprises and facilitates users' decision-making processes.

Features and functionalities of the Public Opinion Analysis Software Platform

The Public Opinion Analysis Software Platform provides a comprehensive solution that includes big data collection, integration, processing and analysis. It collects and integrates user-specified data from various internet sources, and uses big data analysis algorithms to analyse the data and provide insights into public sentiment. Data integrity and security are ensured through secure storage on a cloud database. Decision makers can make informed strategic decisions based on the analysed public sentiment and feedback. In addition, the platform acts as a centralised avenue for monitoring of public sentiment in real time, enabling users to monitor public reactions and sentiment across the web as events unfold.

End-usage of the Public Opinion Analysis Software Platform

The Public Opinion Analysis Software Platform meets to the needs of government authorities and commercial enterprises, offering a range of applications in decision-making, understanding public behavior, crisis and risk management, public relations management, branding and reputation management, market research, consumer insights, and public engagement and participation.

(a) Example of public use

When a government authority introduces a new policy, the platform plays a critical role in monitoring public sentiment and facilitating effective communication. It automatically collects public opinion data from the internet, particularly the key social media platforms and conducts comprehensive analysis, categorising sentiments and providing valuable insights. This enables the government to understand public concerns in a timely manner. Furthermore, the platform provides valuable support to enforcement departments. By proactively analysing public opinion data on the internet, it detects and predicts adverse events and alerts users to specific risks. This enables authorities to take timely action to mitigate risk, facilitating effective risk management. The platform's ability to monitor public sentiment on the internet helps ensure that government actions are responsive and in line with public sentiment.

(b) Example of commercial use

The platform provides valuable support to commercial enterprises throughout the product lifecycle. When launching a new product, it supports market research by analysing consumer preferences and sentiments, enabling companies to tailor their product accordingly. It also assesses public sentiment towards the company's brand and competitors online, providing insights that inform branding and marketing strategies. Once a product is launched, the platform continues to play an important role. It collects public opinion data and customer feedback from the internet, with a focus on key social media platforms. Through comprehensive analysis, the platform provides decision-makers with the information they need to make informed decisions about product iterations, enhancements and customer satisfaction. In addition, the platform actively captures and analyses consumer feedback while monitoring competitor information on specific platforms, including social media channels. Using data analytics, its functional modules classify public opinions as positive, negative or neutral based on language analysis. This valuable insight enables commercial enterprises to formulate targeted marketing strategies, develop effective public relations campaigns and increase their competitiveness in the marketplace.

User interface

Set out below is a screen shot of the user interface of the Public Opinion Analysis Software Platform which had been applied to the digital government sector, showing a sample of the system overview:

SALES AND MARKETING

Sales and marketing

The Group's Telecommunications Infrastructure Services projects are generally awarded by way of open tenders which the Group would normally solicit via online platforms. Tenders submitted in respect of a project would then be assessed based on the applicant's qualifications, skills and experiences to determine if they are capable of fulfiling the requirements as stipulated in the tender documents together with their tender price. Meanwhile the Group's Digitalisation Solution Services projects during the Track Record Period were generally obtained through single-source procurement or by the way of responding to invitation to quote, whereby the customer would, due to their past dealings with the Group, directly approach the Group to solicit its services. Single-source procurement is one of the procurement methods adopted by the Group's customers, who are generally state-owned enterprises, in which a pre-selected supplier would be invited to engage in arm's length negotiations with the customer to determine the contract terms and pricing for a particular project. As advised by the PRC Legal Advisers, this procurement method generally applies when the project satisfies certain procurement requirements and conditions of the Group's customer, for example, when the supplier is a pre-approved supplier of the customer, when the project involves specific requirements (such as certain types of information and communications related technology), or when there is insufficient number of bidders for the particular project.

While the Group competes with other integrated service providers, the Directors believe that the Group will continue to successfully capture business opportunities as they arise given that the Group has operated in the Telecommunications Infrastructure Services industry for more than 20 years and has well-established business relationships with its customers along with a strong industry wide reputation and track record for delivering quality service.

The high entry barriers of the telecommunications industry and the digitalisation solution services industry in the PRC have resulted in a highly customer concentrated nature of both of these industries. Due to the high entry barriers in the Telecommunications Infrastructure Services and Digitalisation Solution Services industries in the PRC, both business segments exhibit a highly concentrated customer base. Recognising this concentration, the Group is actively pursuing the collaboration with the fourth largest telecommunications network operator in the PRC which holds a significant position within the industries as it operates a 5G network and a nationwide cable TV network.

Regarding the Telecommunications Infrastructure Services business segment, the Group primarily targets telecommunications network operators in the PRC as potential customers. The Group plans to establish its relationship with the fourth largest telecommunications network operator in the PRC and actively pursue Telecommunications Infrastructure Services projects from this operator. Additionally, alongside its expansion plan in the Western Region, the Group will continue to develop its customer base by cultivating business relationships with other regional subsidiaries/branches of the Big Three, who are key players in the telecommunications industry.

Regarding the Digitalisation Solution Services business segment, the Group's potential customers include telecommunications network operators, local government entities, hospitals and schools in the PRC. To engage with these stakeholders, the Group will actively participate in industry trade shows and exhibitions to showcase its service offerings and successful track record. It aims to establish relationships with local governments, hospitals, schools, and other key stakeholders involved in urban development and smart city initiatives. By conducting research on each local government's smart city plans and ongoing projects, the Group aims to tailor unique proposals to address their specific needs. The Group also intends to maintain business relationships and explore new opportunities with the regional subsidiaries/branches of the Big Three which were the Group's major customers in this business segment in each year during the Track Record Period. In addition, the Group will explore business opportunities with commercial enterprises as certain of its software systems, such as the Public Opinion Analysis Software Platform, can be adapted in other commercial settings, details of which are set out in the paragraphs headed "Principal services and business model – Digitalisation Solution Services – Software Solution Services" in this section. Furthermore, the Group will strengthen its relationship with the fourth largest telecommunications network operator in the PRC to pursue Digitalisation Solution Services projects. In October 2023, the Group successfully secured three Digitalisation Solution Services projects in Jiangxi Province from this telecommunications network operator, marking the Group's entry into this collaboration. Moving forward, the Group aims to expand its project portfolio by pursuing additional projects from this operator across different business segments and geographical locations in the future.

The Directors believe that the Group's proven track record, experience and strong research and development skills enable it to tailor solutions that satisfy the varying needs of its customers. In order to reinforce the Group's corporate image and reputation within these industries and to attract and source new customers, the Group will (i) actively participate and engage in industry trade shows and exhibitions to showcase the Group's service offerings and successful track record; and (ii) compete for various industry awards to increase its exposure and recognitions among the market players. In addition, the Group intends to raise its public profile through (i) maintaining and regularly updating the company website; (ii) producing and publishing industry and press articles and videos; and (iii) organising sales and marketing campaigns to connect with existing and potential customers. Most importantly, the Group's management will continue to maintain regular communications with its customers and industry players to keep abreast of the latest development in the market and to understand customers' needs.

Furthermore, the Group will continue to (i) focus on developing new customers within Jiangxi Province through strengthening its research and development capabilities and improving its liquidity position and financial capabilities; and (ii) expand in other provinces and regions such as Guangdong Province and Anhui Province through strategic acquisitions, details of which are more particularly set out under the paragraphs headed "Business strategies" in this section.

Pricing policy

The Group generally adopts a cost-plus pricing model when determining its bid/offer prices quoted in the tender documents for its Infrastructure Construction Services and Infrastructure Maintenance Services projects after taking into account factors such as (i) the nature, scale, complexity and location of the relevant projects; and (ii) the estimated costs for the procurement of labour services and ancillary construction materials. However, for its Infrastructure Construction Services projects, the Ministry of Industry and Information Technology of the PRC would issue various notices from time to time which set out standard rates for different types of works to be performed, and the Group's customers would also set out benchmark prices for the relevant projects which the Group would use as reference when determining its bid/offer prices for projects under this business sub-segment. In determining the offer/agreeable prices for the Digitalisation Solution Services projects, the Group would generally take into account the estimated prices its customers are willing to pay and other factors such as (i) in relation to the Group's Integrated Solution Services projects only, the estimated costs for the procurement of hardware and third-party software systems; (ii) (if applicable) the relevant research and development expenses incurred in designing, developing, testing and commissioning of the software systems; (iii) the scale and timeframe required for provision of integration and technical support services; (iv) the credit term required by its customers; and (v) the contract prices of the Group's similar projects.

As confirmed by the Directors, the Group did not experience any loss-making projects during the Track Record Period and up to the Latest Practicable Date.

Credit policy and payment methods

The Group generally grants its customers credit periods of up to 30 days and payment is normally effected by way of bank transfers. The credit period granted by the Group to each specific customer generally depends on a number of criteria, such as their past payment records, the Group's business relationship with the particular customer and their background and financial strength. As confirmed by the Directors, having considered the business relationships with the customers as well as their established background, the Group generally agrees to extend the credit period to up to 90 days, in view of the timeframe required for the customers to complete their internal procedures for processing the payments. During the Track Record Period, the Group has undertaken an Integrated Solution Services project for which a payment term of up to five years has been granted. As confirmed by the Directors, such prolonged payment term was provided at the special request of the customer, because the project was part of an upgrading and renovation project in respect of a public hospital, the payment of which would therefore be subject to receipt of payment by the customer from the local government.

The Group reviews its overdue balances and receivable balances on an on-going basis and an assessment as to whether a provision for impairment of trade receivables would be made by the Group's management after due consideration. Where payment is overdue, the Group would initially take a variety of remedial actions which may include discussions with the management team of the customer, discontinuing its service and/or legal action. For the years ended 31 December 2021, 2022 and 2023, the provision in relation to trade receivables of the Group amounted to approximately RMB3.2 million, RMB8.4 million and RMB12.4 million, respectively.

Seasonality

The Group's business under its Telecommunications Infrastructure Services and Digitalisation Solution Services business segments are generally subject to seasonality. For the Telecommunications Infrastructure Services projects, as confirmed by the Directors and based on past experience, the Group's major customers would generally place more work orders with the Group during the second half of the year and require that the actual works to be carried out on or before the end of the year, and the Group would perform the relevant works (including the on-site works which are generally performed by its labour suppliers) accordingly. Similarly, for the Digitalisation Solution Services projects, the Group's major customers would generally approach the Group for new projects, particularly for large-scale projects, during the second half of the year. As further confirmed by the Directors, it was mainly due to the fact that the Group's major customers generally tend to invest more in capital expenditure later in the year. As such, during the Track Record Period, the Group would typically record a higher portion of revenue for its Telecommunications Infrastructure Services business segment and its Digitalisation Solution Services business segment during the second half of the year.

PROJECTS

During the Track Record Period, the Group had a total of 322 Completed Projects amongst which 216 were Infrastructure Construction Services projects, 45 were Infrastructure Maintenance Services projects, 29 were Integrated Solution Services projects, one was System Maintenance Services projects, and 31 were Software Solution Services projects; and as at 31 December 2023, the Group had a total of 116 On-going Projects and Pre-revenue Projects. As at the Latest Practicable Date, the Group had a total of 345 Completed Projects and 130 On-going Projects and Pre-revenue Projects, all of which were located across various parts of the PRC.

Geographical distribution of the Group's projects

The Group was founded in Jiangxi Province in 2002 and has developed into a reputable integrated service provider and software developer in Jiangxi Province. Leveraging on its reputation and technical capabilities, the Group has expanded its operations across Jiangxi Province, Henan Province, Hubei Province, Hunan Province, Guizhou Province, Yunnan Province, Sichuan Province, Chongqing, Gansu Province, Shaanxi Province, Inner Mongolia Autonomous Region, Fujian Province, Zhejiang Province, Shanghai, Tianjin, Jilin Province, Liaoning Province, Shandong Province, Jiangsu Province, Hebei Province, Beijing, Guangdong Province, Guangxi Zhuang Autonomous Region, Ningxia Hui Autonomous Region and Xinjiang Uygur Autonomous Region with a goal of becoming a national integrated service provider to the telecommunications industry and a software developer providing Digitalisation Solution Services. The following map illustrates the provinces and municipalities in the PRC in which the Group's Completed Projects, On-going Projects and Pre-revenue Projects during the Track Record Period and up to the Latest Practicable Date were situated:

Set out below is a breakdown of the Group's revenue during the Track Record Period by geographical location of its projects:

	Year ended 31 December					
	2021		2022		2023	
	Revenue	Percentage of total	Revenue	Percentage of total	Revenue	Percentage of total
	RMB'000	%	RMB'000	%	RMB'000	%
Central Region (Note 1)						
Telecommunications Infrastructure Services						
– Infrastructure Construction Services	188,873	39.3%	94,977	22.9%	190,317	31.2%
– Infrastructure Maintenance Services	24,195	5.0%	26,016	6.3%	30,865	5.1%
Digitalisation Solution Services						
– Integrated Solution Services	107,364	22.3%	10,147	2.4%	41,258	6.8%
– System Maintenance Services	1,963	0.4%	2,044	0.5%	470	0.1%
– Software Solution Services	–	–	58,399	14.1%	66,216	10.8%
	322,395	67.0%	191,583	46.2%	329,126	54.0%
Western Region (Note 2)						
Telecommunications Infrastructure Services						
– Infrastructure Construction Services	65,290	13.6%	143,676	34.6%	167,531	27.5%
– Infrastructure Maintenance Services	966	0.2%	6,759	1.6%	3,948	0.7%
Digitalisation Solution Services						
– Integrated Solution Services	–	–	–	–	–	–
– System Maintenance Services	–	–	–	–	–	–
– Software Solution Services	–	–	–	–	–	–
	66,256	13.8%	150,435	36.2%	171,479	28.2%
Eastern Region (Note 3)						
Telecommunications Infrastructure Services						
– Infrastructure Construction Services	90,467	18.8%	70,465	17.0%	105,309	17.3%
– Infrastructure Maintenance Services	–	–	450	0.1%	3,177	0.5%
Digitalisation Solution Services						
– Integrated Solution Services	–	–	–	–	–	–
– System Maintenance Services	–	–	–	–	–	–
– Software Solution Services	–	–	–	–	–	–
	90,467	18.8%	70,915	17.1%	108,486	17.8%
Northeastern Region (Note 4)						
Telecommunications Infrastructure Services						
– Infrastructure Construction Services	–	–	159	0.0%	210	0.0%
– Infrastructure Maintenance Services	–	–	–	–	–	–
Digitalisation Solution Services						
– Integrated Solution Services	–	–	–	–	–	–
– System Maintenance Services	–	–	–	–	–	–
– Software Solution Services	–	–	–	–	–	–
	–	–	159	0.0%	210	0.0%
Total	**479,118**	**100.0%**	**413,091**	**100.0%**	**609,301**	**100.0%**

Notes:

1. During the Track Record Period, the locations within the Central Region in which the Group had generated revenue included Jiangxi Province, Henan Province, Hubei Province and Hunan Province.
2. During the Track Record Period, the locations within the Western Region in which the Group had generated revenue included Guizhou Province, Yunnan Province, Inner Mongolia Autonomous Region, Guangxi Zhuang Autonomous Region, Chongqing, Sichuan Province, Shaanxi Province and Gansu Province.
3. During the Track Record Period, the locations within the Eastern Region in which the Group had generated revenue included Shanghai, Tianjin, Hebei Province, Jiangsu Province, Zhejiang Province, Fujian Province, Shandong Province and Guangdong Province.
4. During the Track Record Period, the location in which the Group had generated revenue within the Northeastern Region was Jilin Province.

During the Track Record Period, the Central Region was the largest revenue contributor to the Group. The Group's revenue derived from the Central Region was approximately RMB322.4 million, RMB191.6 million and RMB329.1 million for the years ended 31 December 2021, 2022 and 2023 respectively and accounted for approximately 67.0%, 46.2% and 54.0% of the Group's revenue for the corresponding years, respectively. Its high revenue contribution from the Central Region is primarily attributable to the fact that the Group possesses a strong established presence in Jiangxi Province, thus it has been able to continuously capture business opportunities in Jiangxi Province as they arise. The Group successfully leveraged its advantages in Jiangxi Province to expand its business operations into the Digitalisation Solution Services business segment. Throughout the Track Record Period, most of the revenue generated from the Digitalisation Solution Services business segment was derived from Jiangxi Province. The Group experienced a significant decrease in revenue from the Central Region for the year ended 31 December 2022, compared to the previous year. The decrease was primarily due to the completion of a substantial portion of the provincial transmission pipeline construction engineering project in 2021. Also, the COVID-19 pandemic presented challenges for the Group as its customer placed fewer work orders, which impacted the Group's revenue from the Central Region during the same year. Although the Group successfully secured another sizable transmission pipeline construction engineering project in 2022, only a small portion of contract sum of such project has been recognised as revenue. Further, for the Digitalisation Solution Services business segment, the Group had prioritised Software Solution Services over Integrated Solution Services projects in 2022, taking into account the customers' demand and the limited resources available during that period. By focusing on Software Solution Services projects, the Group avoided substantial capital requirements for hardware and equipment purchases associated with Integrated Solution Services projects, thereby enhancing liquidity. The contract sum of the Software Solution Services projects was generally lower than that of the Integrated Solution Services projects as the Software Solution Services projects do not require purchases of hardware, this interim measure also contributed to the decrease in the Group's revenue for the year ended 31 December 2022.

During the Track Record Period, the Western Region and the Eastern Region played important roles in contributing to the Group's revenue. The Western Region was the second-largest revenue contributor, with revenue of approximately RMB66.3 million, RMB150.4 million and RMB171.5 million, which accounted for approximately 13.8%, 36.2% and 28.2% of the Group's revenue for the years ended 31 December 2021, 2022 and 2023, respectively. The revenue growth was due to the Group's successful expansion of business operations in Yunnan Province, which has been a key factor in driving revenue growth in the Western Region. The Directors believe that Yunnan Province's relatively underdeveloped telecommunications infrastructure presents promising prospects for the Group's Telecommunications Infrastructure Services. Along with the strong relationships with key players in the industry, the Group's focus on pursuing business opportunities in the rapidly developing Telecommunications Infrastructure Services industry in Yunnan Province enabled it to capitalise on rising demands for telecommunications services, thereby significantly increased its revenue from Yunnan Province during the Track Record Period. In the future, the Group intends to continue to ride on the development trend and expand its business throughout the Western Region gradually.

Aside from Yunnan Province, the Group has also expanded its presence into other regions and provinces such as Zhejiang Province, Shanghai and Fujian Province in the Eastern Region. During the Track Record Period, the Eastern Region was the Group's third-largest revenue contributor, with revenue of approximately RMB90.5 million, RMB70.9 million and RMB108.5 million, which accounted for approximately 18.8%, 17.1% and 17.8% of the Group's revenue for the years ended 31 December 2021, 2022 and 2023, respectively. The majority of the revenue from the Eastern Region during this period came from the Telecommunications Infrastructure Services business segment. The Directors believe that the Group's success in the Eastern Region has been driven by its expertise in the Telecommunications Infrastructure Services industry, which it has leveraged to establish itself as a reliable and high-quality service provider, and in turn allowing the Group to secure new projects from the Big Three.

By leveraging its strengths and staying ahead of the competition, the Group was able to increase its revenue in different regions across the PRC and reduce its dependence on any single region. The Group's ability to adapt to changing market conditions would prepare the Group for future expansions in other provinces of the PRC.

Size of the Group's projects

Set out below is a breakdown of the Group's projects by project size based on the maximum or estimated contract value of each project during the Track Record Period and up to the Latest Practicable Date:

	Year ended 31 December			From 1 January 2024 up to the Latest Practicable Date
	2021	2022	2023	
	No. of projects	No. of projects	No. of projects	No. of projects
Telecommunications Infrastructure Services				
– ***Infrastructure Construction Services***				
≥RMB100 million	2	1	1	1
≥RMB50 million – <RMB100 million	–	3	4	4
≥RMB25 million – <RMB50 million	12	14	11	9
≥RMB10 million – <RMB25 million	19	19	25	20
<RMB10 million	86	113	156	81
Others *(Note)*	19	7	5	2
	138	157	202	117
– ***Infrastructure Maintenance Services***				
≥RMB100 million	–	–	–	–
≥RMB50 million – <RMB100 million	–	–	–	–
≥RMB25 million – <RMB50 million	2	2	–	–
≥RMB10 million – <RMB25 million	1	5	4	4
<RMB10 million	23	26	30	17
Others *(Note)*	6	2	4	6
	32	35	38	27

	Year ended 31 December			From 1 January 2024 up to the Latest Practicable Date
	2021	2022	2023	
	No. of projects	No. of projects	No. of projects	No. of projects
Digitalisation Solution Services				
– Integrated Solution Services				
≥RMB10 million	3	–	–	–
≥RMB6 million – <RMB10 million	1	–	1	–
≥RMB3 million – <RMB6 million	3	4	7	1
<RMB3 million	5	6	8	2
	12	10	16	3
– ***System Maintenance Services***				
≥RMB10 million	–	–	–	–
≥RMB6 million – <RMB10 million	1	1	1	–
≥RMB3 million – <RMB6 million	–	–	–	–
<RMB3 million	1	1	4	4
	2	2	5	4
– Software Solution Services				
≥RMB10 million	–	2	–	–
≥RMB6 million – <RMB10 million	–	4	3	1
≥RMB3 million – <RMB6 million	–	–	8	1
<RMB3 million	–	8	8	–
	–	14	19	2
Total	**184**	**218**	**280**	**153**

Note: For certain Telecommunications Infrastructure Services projects of the Group during the Track Record Period, the contract value was not specified in the relevant agreement, and thus the contract value of such projects would be determined based on the actual quantity of works carried out by the Group pursuant to the relevant work order(s) placed by the customer during the relevant year/period.

The majority of the Group's large-scale projects, being those with a contract value of RMB25.0 million or above, were for its Infrastructure Construction Services business sub-segment. These projects, in particular those primarily related to cable installation or access network related works, were particularly large in scale as they generally required the Group to provide Infrastructure Construction Services across a particular province.

The Group's Infrastructure Maintenance Services projects were in general of a relatively smaller scale, being projects with a contract value of less than RMB10.0 million, as these contracts mainly relate to repair and restoration works for telecommunications network infrastructure within a confined area or for a number of locations. However, two of the Group's Infrastructure Maintenance Services projects were of a relatively large-scale, and under these projects, the Group was required to provide comprehensive Infrastructure Maintenance Services covering a large number of regions within Jiangxi Province.

The Group's Digitalisation Solution Services projects were generally of a smaller scale with a contract value of less than RMB10.0 million, as they were not as capital and labour intensive when compared to the Group's Telecommunications Infrastructure Services projects. Further, the Group's Integrated Solution Services projects generally have a higher contract value than the Software Solution Services projects because Integrated Solution Services projects involve the procurement and installation of hardware systems, which contributes to a higher overall cost of the projects. During the Track Record Period, three of the Group's Integrated Solution Services projects were of a relatively large-scale and with a contract value over RMB10.0 million. Two of these projects involved provision of Integrated Solution Services relating to digital urban management across an entire district in a city, and one of these projects involved more complex integration and installation services of hardware and software systems for a public hospital.

Movement in number of the Group's projects

The following table sets out the movement in number of the Group's projects during the Track Record Period and up to the Latest Practicable Date:

	Year ended 31 December			From 1 January 2024 up to the Latest Practicable Date
	2021	2022	2023	
	No. of projects	*No. of projects*	*No. of projects*	*No. of projects*
Telecommunications Infrastructure Services projects				
– Infrastructure Construction Services projects				
Opening balance as at the beginning of the relevant year/period	74	80	114	87
Add: Number of new projects *(Note 1)*	64	77	88	30
Less: Number of completed projects *(Note 2)*	(58)	(43)	(115)	(14)
Ending balance as at the end of the relevant year/period	80	114	87	103
– Infrastructure Maintenance Services projects				
Opening balance as at the beginning of the relevant year/period	18	17	22	22
Add: Number of new projects *(Note 1)*	14	18	17	5
Less: Number of completed projects *(Note 2)*	(15)	(13)	(17)	(8)
Ending balance as at the end of the relevant year/period	17	22	22	19
Digitalisation Solution Services projects				
– Integrated Solution Services projects				
Opening balance as at the beginning of the relevant year/period	2	2	4	3
Add: Number of new projects *(Note 1)*	10	8	12	–
Less: Number of completed projects *(Note 2)*	(10)	(6)	(13)	(1)
Ending balance as at the end of the relevant year/period	2	4	3	2
– System Maintenance Services projects				
Opening balance as at the beginning of the relevant year/period.	1	2	2	4
Add: Number of new projects *(Note 1)*	1	–	3	–
Less: Number of completed projects *(Note 2)*	–	–	(1)	–
Ending balance as at the end of the relevant year/period	2	2	4	4
– Software Solution Services projects				
Opening balance as at the beginning of the relevant year/period	–	–	6	–
Add: Number of new projects *(Note 1)*	–	14	17	2
Less: Number of completed projects *(Note 2)*	–	(8)	(23)	–
Ending balance as at the end of the relevant year/period	–	6	–	2
Total	**101**	**148**	**116**	**130**

Notes:

1. For the purpose of calculating the movement in number of the Group's projects, a project is considered to be a "new project" when the Group has entered into a framework agreement or task specific agreement with its customer in respect of the project during the relevant year/period.

2. For the purpose of calculating the movement in number of the Group's projects, a project is considered to be a "completed project" when the framework agreement or task specific agreement has expired in accordance with the contract term during the relevant year/period.

Major Projects

Based on the project status as at the Latest Practicable Date, the Group's projects are categorised into (i) Completed Projects, being projects where the agreement of which had expired or been terminated, or where all the revenue from which had been fully recognised; (ii) On-going Projects, being project(s) where the agreement of which had not expired or been terminated, and from which revenue had begun to be recognised, as at specified date; and (iii) Pre-revenue Projects, being project(s) where the agreement of which had not expired or been terminated, but from which no revenue had yet been derived.

Set forth below are details of the Group's Major Projects with a maximum or estimated contract value of (i) RMB25.0 million or above in the case of Infrastructure Construction Services projects, or (ii) RMB3.0 million or above in the cases of Infrastructure Maintenance Services projects, Integrated Solution Services projects, System Maintenance Services projects and Software Solution Services projects, as specified in the relevant framework agreement or task specific agreement. It is important to note that while the contract value stated in the framework agreement of its Telecommunications Infrastructure Services projects represents the maximum value of potential orders from customers, customers are not obligated to place work orders up to the contract value. They have the discretion to reduce the work scope by not placing additional work orders. As such, the contract value presented below has not taken into account factors that could potentially lead to a reduction in work scope at the discretion of the customers, which in turn reducing the final amount of revenue to be recognised.

Completed Projects

During the Track Record Period and up to the Latest Practicable Date, the Group had a total of 345 Completed Projects, of which 230 were Infrastructure Construction Services projects, 53 were Infrastructure Maintenance Services projects, 30 were Integrated Solution Services projects, one was System Maintenance Services project and 31 were Software Solution Services projects. Among these Completed Projects, 53 were Major Projects.

The following table sets out details of the Group's Completed Projects which are also Major Projects during the Track Record Period and up to the Latest Practicable Date:

Contract name	Principal nature	Date of agreement	Customer/ Location of project	Contract value (Note 1)	Before the Track Record Period	Revenue Year ended 31 December 2021	2022	2023
				RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Telecommunications Infrastructure Services								
– Infrastructure Construction Services								
• 2020-2021 sporadic infrastructure civil engineering services agreement (Note 2)	Base station and auxiliary facilities engineering services	November 2020	Customer A/ Zhejiang Province	27,644	3,615	9,454	47	1,066
• 2019-2020 transmission pipeline engineering services (Jiangxi) agreement (Note 2)	Integrated services including cable installation services and access network related services	July 2019	Customer A/Jiangxi Province	323,641	92,289	93,090	19,943	12,328
• 2020-2021 communication equipment installation services (Jiangxi) agreement (Note 2)	Wireless network equipment installation services	March 2020	Customer A/ Jiangxi Province	161,047	39,780	12,589	3,448	3,934
• 2019-2021 construction and relocation procurement agreement	Access network related services	October 2020	Customer A/ Henan Province	48,672	27,496	14,964	494	–
• 2019-2020 transmission pipeline engineering service agreement (section 2-10)	Cable installation services	April 2019	Customer A/ Guizhou Province	27,280	4,623	2,742	1,917	–
• 2019-2020 transmission pipeline engineering service agreement (section 2-2)	Cable installation services	April 2019	Customer A/ Guizhou Province	40,388	11,286	6,567	3,252	554
• 2019-2020 transmission pipeline engineering service agreement (section 2-8.3)	Cable installation services	April 2019	Customer A/ Guizhou Province	27,358	4,947	2,379	4,417	–
• 2020-2022 engineering services agreement (Chongming) (Note 2)	Access network related services	August 2020	Customer A/ Shanghai	31,192	1,441	8,730	4,817	3,781
• 2020-2022 engineering services agreement (Jinshan) (Note 2)	Access network related services	August 2020	Customer A/ Shanghai	26,709	388	3,670	1,326	739
• 2020-2022 engineering services agreement (Qingpu) (Note 2)	Access network related services	August 2020	Customer A/ Shanghai	32,472	1,695	6,050	4,082	8,111
• 2020-2021 procurement for room sub-integration construction agreement (Note 2)	Wireless network equipment installation	July 2020	Customer A/ Fujian Province	31,202	650	3,551	5,898	11,231
• 2022-2023 construction project (section 1) in Nanchang	Cable installation services	February 2022	Customer D/ Jiangxi Province	27,250	–	–	6,689	18,286
• 2020-2022 power grid and engineering services agreement in Tianjin	Access network related services	May 2020	Customer A/ Tianjin	43,951	1,838	8,367	3,631	3,803
– Infrastructure Maintenance Services								
• 2018-2021 infrastructure maintenance service agreement	Maintenance	September 2018	Customer C/ Jiangxi Province	28,000	18,658	6,365	1,260	–
• 2018-2021 infrastructure maintenance service agreement	Maintenance	September 2018	Customer C/ Jiangxi Province	34,150	18,819	5,167	1,041	–
• Professional maintenance contract	Maintenance	March 2020	Customer C/ Jiangxi Province	3,000	249	211	119	103
• 2018-2021 comprehensive maintenance technical service framework contract	Maintenance	September 2018	Customer C/ Jiangxi Province	21,610	14,122	4,873	1,023	–
• 2021-2022 framework agreement on sporadic housing maintenance and decoration projects	Maintenance	January 2021	Customer A/ Gansu Province	6,435	505	–	–	–
• 2021 tower integrated construction project framework agreement	Maintenance	July 2021	Customer C/ Shaanxi Province	3,420	–	–	–	525
• 2022-2023 network facility maintenance services northern banner county framework agreement	Maintenance	August 2022	Customer D/ Inner Mongolia Autonomous Region	3,886	–	–	3,501	–

Contract name	Principal nature	Date of agreement	Customer/ Location of project	Contract value (Note 1)	Before the Track Record Period	Revenue Year ended 31 December 2021	2022	2023
				RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Digitalisation Solution Services								
– Integrated Solution Services								
• Hospital intelligent informatisation engineering project in Linchuan District	Digital healthcare	December 2021	Customer B/ Jiangxi Province	50,700	–	45,030	–	–
• Public security surveillance project in Honggutan New District	Digital surveillance	March 2021	Customer A/ Jiangxi Province	33,352	–	29,335	–	–
• Safe campus construction project in Lichuan	Digital education	January 2021	Customer D/ Jiangxi Province	3,571	–	3,218	–	–
• Hospital data informatisation service agreement in Ganzhou	Digital healthcare	June 2021	Customer F/ Jiangxi Province	12,317	–	11,136	–	–
• Digital city management project (phase 1 – surveillance system integration service) agreement	Digital surveillance	December 2020	Customer B/ Jiangxi Province	9,754	–	8,492	–	–
• Digital hospital project in Ganzhou	Digital healthcare	January 2022	Customer F/ Jiangxi Province	4,900	–	–	4,468	–
• Integrated system and software development project	Digital urban management	December 2021	Customer D/ Jiangxi Province	5,500	–	5,189	–	–
• Hospital intelligent informatisation engineering project in Linchuan District (supplemental) (Note 3)	Digital healthcare	June 2023	Customer B/ Jiangxi Province	3,753	–	–	–	3,248
• Fengcheng City fluorine and thallium water quality automatic monitoring station construction project (Note 3)	Digital government	August 2023	Customer D/ Jiangxi Province	3,575	–	–	–	3,164
• Aerospace industrial park phase I project in Henan Province (Note 3)	Digital telecommunications construction	December 2022	Customer D/ Henan Province	5,745	–	–	–	5,098
• Ganzhou municipal hospital medical group digital hospital project system integration service project	Digital healthcare	November 2022	Customer F/ Jiangxi Province	5,975	–	–	–	5,559
• Passenger transport centre project in Jishui County	Digital transport	December 2022	Customer B/ Jiangxi Province	3,006	–	–	–	2,679
• Fengcheng City traffic police's time-limited capture project for illegal parking	Digital government	September 2023	Customer A/ Jiangxi Province	6,486	–	–	–	5,881
• 2023 supercomputer public service platform computing power construction procurement project in Jiangxi Province	Digital government	September 2023	Customer H(Note 4)/ Jiangxi Province	4,280	–	–	–	3,791
– System Maintenance Services								
• 2018 HD probe integration service agreement in Nanchang	System maintenance	December 2018	Customer A/ Jiangxi Province	8,151	3,525	1,923	1,923	320
– Software Solution Services								
• Industrial cloud platform agreement	Digital industrial management	December 2022	Customer D/ Jiangxi Province	18,228	–	–	16,437	–
• 2022 industrial cloud platform agreement	Digital industrial management	September 2022	Customer B/ Jiangxi Province	11,760	–	–	10,613	–
• Visual monitoring and management platform services	Digital telecommunications construction	December 2022	Customer D/ Jiangxi Province	8,650	–	–	7,769	–
• Public opinion big data monitoring cloud platform custom development service	Digital government	September 2022	Customer A/ Jiangxi Province	6,540	–	–	6,170	–
• Digital hospital outpatient management platform (stage 1) system integration service procurement agreement	Digital healthcare	October 2022	Customer D/ Jiangxi Province	6,068	–	–	5,719	–
• Digital hospital inpatient management platform (stage 2) system integration service procurement agreement	Digital healthcare	October 2022	Customer D/ Jiangxi Province	8,638	–	–	8,149	–
• VR training platform procurement project	Digital school	April 2023	Customer D/ Jiangxi Province	8,910	–	–	–	7,885

Contract name	Principal nature	Date of agreement	Customer/ Location of project	Contract value (Note 1)	Before the Track Record Period	Revenue Year ended 31 December 2021	2022	2023
				RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
• Digital education management system construction project	Digital school	March 2023	Customer D/ Jiangxi Province	4,917	–	–	–	4,351
• VR training platform construction project	Digital school	March 2023	Customer D/ Jiangxi Province	6,857	–	–	–	6,068
• Digital educational management platform procurement project	Digital school	April 2023	Customer D/ Jiangxi Province	5,310	–	–	–	5,009
• 5G factory intelligent manufacturing training base project (Note 3)	Digital school	October 2023	Customer D/ Jiangxi Province	4,508	–	–	–	4,252
• Enterprise digital intelligent accounts management platform	Digital finance	October 2023	Customer I/ Jiangxi Province	4,116	–	–	–	3,642
• Intelligent grain storage safety supervision platform software sales contract	Digital grain depot	October 2023	Customer I/ Jiangxi Province	7,154	–	–	–	6,331
• Public safety video sharing platform	Digital government	October 2023	Customer I/ Jiangxi Province	4,410	–	–	–	3,903
• Public safety video sharing platform software and hardware procurement agreement	Digital government	November 2023	Customer A/ Jiangxi Province	3,446	–	–	–	3,067
• Intelligent party affairs visualised management platform software and hardware procurement agreement	Digital government	November 2023	Customer A/ Jiangxi Province	3,742	–	–	–	3,334
• Enterprise digital intelligent accounts management platform software and hardware procurement agreement	Digital finance	November 2023	Customer A/ Jiangxi Province	3,940	–	–	–	3,509
			Total	1,267,564	245,926	293,089	128,151	145,552

Notes:

1. The contract value refers to the maximum or estimated contract value (inclusive of VAT) as specified in the framework agreement or task specific agreement.

2. Revenue has been recognised after the expiration of the framework agreement or task specific agreement as the customer continued to place additional work order(s) with the Group, and the Group had carried out the required works at the request of the customer.

3. Revenue has only been recognised from the project during the period subsequent to the Track Record Period and up to the Latest Practicable Date.

4. Customer H is a provincial institution responsible for the construction of infrastructure for science and technology development in Jiangxi Province.

During the Track Record Period and up to the Latest Practicable Date, nine of the Group's Completed Projects which are also Major Projects (comprising six Infrastructure Construction Services projects and three Infrastructure Maintenance Services projects) recorded a significant shortfall of approximately 50% or above between the contract value and the amount of revenue recognised up to the Latest Practicable Date. The aggregate maximum contract value and aggregate shortfall value for these nine Major Projects amounted to approximately RMB339.2 million and RMB220.1 million, respectively, among which, the corresponding aggregate maximum contract value and aggregate shortfall value for the six Infrastructure Construction Services projects amounted to approximately RMB326.3 million and RMB209.1 million, respectively, while the corresponding aggregate maximum contract value and aggregate shortfall value for the three Infrastructure Maintenance Services projects amounted to approximately RMB12.9 million and RMB11.0 million, respectively. Such shortfalls were primarily attributable to the following reasons:

(i) The amount of work to be performed by the Group is specified in individual work orders placed by its customers under the framework agreements. The amount of contract value specified in framework agreements typically refers to a maximum or estimated amount. As advised by the PRC Legal Advisers, customers are not obligated to place work orders to meet the maximum or estimated contract value according to the terms of the framework agreement for the Infrastructure Construction Services projects. Therefore, customers have the flexibility to determine the work scope based on their own requirements and may choose not to place additional work orders, thus potentially reducing the overall work scope. As such, the contract value is not a direct indication of the total amount of revenue which would be recognised under the project. As advised by Ipsos, this arrangement is in line with the industry norm within the telecommunications infrastructure industry in the PRC. It involved nine Major Projects with an overall conversion rate of approximately 35.1% calculated by dividing the total revenue (VAT inclusive) recognised up to the Latest Practicable Date by the aggregate maximum contract value under the relevant contracts;

(ii) Some of the Group's customers had placed fewer work orders with the Group, postponed the completion schedule of the construction works during the prevalence of the COVID-19 pandemic. It involved two Major Projects with an overall conversion rate of approximately 41.9% calculated by dividing the total revenue (VAT inclusive) recognised up to the Latest Practicable Date by the aggregate maximum contract value under the relevant contracts;

(iii) During the performance of the projects, some of the Group's customers entered into discussions with the local government to re-negotiate on certain details with respect to the implementation plan of the construction works. As such, part of the works were put on hold pending the latest instructions from the customers. It involved three Major Projects with an overall conversion rate of approximately 43.7% calculated by dividing the total revenue (VAT inclusive) recognised up to the Latest Practicable Date by the aggregate maximum contract value under the relevant contracts; and

(iv) Some projects experienced modifications in the implementation plan of the project with reduced or no work orders being placed with the Group, which, to the best knowledge and belief of the Directors, was caused by the change in the customers' business planning. It involved two Major Projects with an overall conversion rate of approximately 10.6% calculated by dividing the total revenue (VAT inclusive) recognised up to the Latest Practicable Date by the maximum contract value under the relevant contract.

For further details relating to the risks associated with the Group's project backlog not being indicative of the Group's future earnings and operation results, please refer to the section headed "Risk Factors" in this document.

On-going Projects

As at the Latest Practicable Date, the Group had 78 On-going Projects of which 63 were Infrastructure Construction Services projects, 11 were Infrastructure Maintenance Services projects, one were Integrated Solution Services projects, three was System Maintenance Services project and nil was Software Solution Services projects. Among these On-going Projects, 20 were Major Projects.

The following table sets out details of the Group's On-going Projects which are also Major Projects as at the Latest Practicable Date:

								Revenue		
								Year ended 31 December		
Contract name	Principal nature	Date of agreement	Customer/ Location of project	Commencement date *(Note 1)*	Expected completion date *(Note 2)*	Contract value *(Note 3)*	Before the Track Record Period	2021	2022	2023
						RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Telecommunications Infrastructure Services										
– *Infrastructure Construction Services*										
• 2022-2023 communication construction main contractor project	Wireless network equipment installation services	September 2022	Customer D/ Inner Mongolia Autonomous Region	1 September 2022	31 August 2024	41,011	–	–	10,990	26,538
• 2022-2024 engineering service agreement (section 4)	Integrated services including wireless network equipment installation services and cable installation services	July 2022	Customer D/ Shanghai	1 July 2022	30 June 2024	32,646	–	–	2,380	6,639
• 2022 equipment and cable engineering construction agreement	Integrated services including cable installation services and wireless network equipment installation services	July 2022	Customer D/ Fujian Province	20 July 2022	19 July 2024	41,823	–	–	4,838	19,904
• 2022-2023 telecommunications communication engineering construction services agreement in Zhejiang Province	Cable installation services	April 2022	Customer A/ Zhejiang Province	12 April 2022	31 December 2023	77,254	–	–	2,678	6,693
• 2022-2023 telecommunications construction agreement in Jiangxi Province	Cable installation services	March 2022	Customer A/ Jiangxi Province	25 March 2022	31 December 2024 *(Note 5)*	219,192	–	–	5,390	49,013
• 2022-2023 telecommunications construction agreement (section 5-4) in Yunnan Province	Cable installation services	April 2022	Customer A/ Yunnan Province	19 April 2022	31 December 2024 *(Note 5)*	85,059	–	–	4,541	13,314
• 2022-2023 telecommunications construction agreement (section 8-6) in Yunnan Province	Cable installation services	April 2022	Customer A/ Yunnan Province	15 April 2022	31 December 2024 *(Note 5)*	33,379	–	–	4,732	–
• 2022-2023 telecommunications construction agreement (section 2) in Guangxi Zhuang Autonomous Region	Wireless network equipment installation services	March 2022	Customer A/ Guangxi Zhuang Autonomous Region	25 March 2022	31 December 2024 *(Note 5)*	66,660	–	–	9,880	21,397
• 2021-2023 transmission agreement (section 3)	Cable installation Services	June 2021	Customer A/ Yunnan Province	19 June 2021	18 June 2023 *(Note 5)*	28,667	–	3,820	9,603	6,695
• 2021-2023 transmission agreement (section 5)	Cable installation Services	June 2021	Customer A/ Yunnan Province	19 June 2021	18 June 2023 *(Note 5)*	25,242	–	1,407	13,694	6,898
• 2022-2024 tower body integrated construction services centralised bidding project framework agreement	Integration services including construction, transformation, maintenance and upgrade of towers	August 2022	Customer C/ Shaanxi Province	9 September 2022	8 September 2024	29,678	–	–	–	15,391

Contract name	Principal nature	Date of agreement	Customer/ Location of project	Commencement date *(Note 1)*	Expected completion date *(Note 2)*	Contract value *(Note 3)*	Before the Track Record Period	Revenue Year ended 31 December 2021	2022	2023
						RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
• 2023-2024 base station tower, civil engineering, and power integrated services project *(Note 4)*	Integration services including construction, transformation, maintenance and upgrade of towers	February 2023	Customer A/ Yunnan Province	22 February 2023	31 December 2024	29,734	–	–	–	2,541
• 2023-2024 centralised procurement project for wired broadband (including maintenance and construction) and dedicated line construction services (Bid package 7: Ganzhou) *(Note 4)*	Access network related services	June 2023	Customer A/ Jiangxi Province	29 June 2023	28 June 2025	77,599	–	–	–	36,764
– Infrastructure Maintenance Services										
• 2022-2025 comprehensive maintenance project framework agreement	Maintenance	April 2022	Customer C/ Jiangxi Province	1 April 2022	31 March 2025	22,963	–	–	4,531	6,812
• 2022-2025 comprehensive maintenance project framework agreement	Maintenance	April 2022	Customer C/ Jiangxi Province	1 April 2022	31 March 2025	23,773	–	–	4,702	7,668
• 2022-2025 comprehensive maintenance project framework agreement in Ganzhou	Maintenance	April 2022	Customer C/ Jiangxi Province	1 April 2022	31 March 2025	17,878	–	–	3,804	6,117
• 2022-2025 comprehensive maintenance project framework agreement in Nanchang	Maintenance	April 2022	Customer C/ Jiangxi Province	1 April 2022	31 March 2025	21,313	–	–	2,885	4,875
• 2022-2024 maintenance, update and renovation construction service project (bid section 1) engineering construction services framework agreement *(Note 4)*	Maintenance	June 2022	Customer C/ Jiangxi Province	2 June 2022	31 May 2024	6,377	–	–	–	1,421
• 2022 integrated center maintenance project agreement	Maintenance	April 2022	Customer C/ Jiangxi Province	8 April 2022	7 April 2023 *(Note 5)*	3,038	–	–	659	1,655
Digitalisation Solution Services										
– Integrated Solution Services										
• Intelligent central control system project for a science and the technology museum in Jiangxi Province	Digital building management	April 2021	Customer G/ Jiangxi Province	21 April 2021	30 June 2024	5,504	–	–	–	4,178
– System Maintenance Services										
• Nil										
– Software Solution Services										
• Nil										
			Total:			**888,789**	**–**	**5,227**	**85,307**	**244,513**

Notes:

1. The commencement date refers to the date of commencement as specified in the framework agreement or task specific agreement in respect of the project.

2. The expected completion date refers to the date of completion as specified in the framework agreement or task specific agreement in respect of the project.

3. The contract value refers to the maximum or estimated contract value (inclusive of VAT) as specified in the framework agreement or task specific agreement.

4. Revenue has only been recognised from the project during the period subsequent to the Track Record Period and up to the Latest Practicable Date.

5. As specified in the framework agreement, the term of the agreement shall be automatically extended if there remains unutilised contract value as at the completion date, which shall become (i) the date when the customer has released the results of its latest centralised procurement exercise for the same type of works, or (ii) when the aggregate amount of revenue recognised under the project has reached the maximum or estimated contract value, whichever is earlier.

Pre-revenue Projects

Pre-revenue Projects comprise those projects for which work orders have not yet been received from customers or projects where work orders have been received, but from which no revenue had yet been derived up to the Latest Practicable Date. As at the Latest Practicable Date, the Group had 52 Pre-revenue Projects. Among these Pre-revenue Projects, 40 were Infrastructure Construction Services projects, eight were Infrastructure Maintenance Services projects, one were Integrated Solution Services projects, one was System Maintenance Services project and two were Software Solution Services projects. Among these Pre-revenue Projects, three were Major Projects.

The following table sets out details of the Group's Pre-revenue Projects which are also its Major Projects as at the Latest Practicable Date:

Contract name	Principal nature	Date of agreement	Customer/ Location of project	Commencement date *(Note 1)*	Expected completion date *(Note 2)*	Contract value *(Note 3)*
						RMB'000
Telecommunications Infrastructure Services						
– Infrastructure Construction Services						
• Nil						
– Infrastructure Maintenance Services						
• 2023-2024 base station, room branch and important computer room adjustment and remediation service procurement agreement . . .	Maintenance	January 2023	Customer A/ Hebei Province	31 January 2023 *(Note 4)*	31 December 2024	3,612
Digitalisation Solution Services						
– Integrated Solution Services						
• Nil						
– System Maintenance Services						
• Nil						
– Software Solution Services						
• Public video security software and enterprise finance software platforms services procurement contract	Digital government and digital finance	January 2024	Customer J *(Note 5)*/ Jiangxi Province	January 2024 *(Note 6)*	April 2024	7,238
• Enterprise digital intelligent accounts management platform integration services procurement contract	Digital finance	February 2024	Customer D/ Jiangxi Province	22 February 2024 *(Note 6)*	21 June 2024	3,142
			Total			**13,992**

Notes:

1. The commencement date refers to the date of commencement as specified in the framework agreement or task specific agreement in respect of the project.

2. The expected completion date refers to the date of completion as specified in the framework agreement or task specific agreement in respect of the project.

3. The contract value refers to the maximum or estimated contract value (inclusive of VAT) as specified in the framework agreement or task specific agreement.

4. The Group has yet to receive any work orders from Customer A under this project as at the Latest Practicable Date. Based on the best estimation of the Directors, it is expected that Customer A will issue work orders to the Group during the second half of 2024.

5. Customer J is a state-owned enterprise based in Jiangxi Province which principally engages in, among others, provision of Internet data, Internet security and big data services, and research and development of IOT and AI applied software systems.

6. The implementation works for this project have been completed, while the completed works are undergoing inspection and acceptance procedures by Customer A. Thus, no revenue has been recognised by the Group as at the Latest Practicable Date, pending completion of such procedures.

Project backlog

The Group's project backlog represents its estimate of the total outstanding contract value of its On-going Projects and Pre-revenue Projects (assuming that all works under the relevant contracts are required to be carried out) as at 31 December 2021, 2022 and 2023 and the Latest Practicable Date. It is important to note that while the contract value stated in the framework agreement of its Telecommunications Infrastructure Services projects represents the maximum value of potential orders from customers, customers are not obligated to place work orders up to the contract value. They have the discretion to reduce the work scope by not placing additional work orders. As such, the contract value used in calculating the Group's project backlog has not taken into account factors that could potentially lead to a reduction in work scope at the discretion of the customers, which in turn reducing the final amount of revenue to be recognised. For the years ended 31 December 2021, 2022 and 2023, the conversion rate of contract value into actualised work orders for the Completed Projects for Telecommunications Infrastructure Services was approximately 66.2%, 68.2% and 72.2%, respectively. The conversion rate for a specified year represents the proportion of aggregate contract sum of the Completed Projects for the corresponding years that has been subsequently converted into actualised work orders, i.e. the total revenue (VAT inclusive) recognised, as at the Latest Practicable Date. The relatively lower conversion rate for the year ended 31 December 2021 was mainly due to a Major Project for Infrastructure Construction Services in Jiangxi Province with a maximum contract value of approximately RMB161.0 million, of which the customer had placed fewer work orders due to a change in its business planning. The relatively lower conversion rate for the year ended 31 December 2022 was mainly due to a Major Project for Infrastructure Construction Services in Shanghai with a maximum contract value of approximately RMB26.7 million, which involved modification in the implementation plan by the customer leading to fewer work orders being placed. The conversion rate for the year ended 31 December 2023 was relatively higher due to increase in work orders placed by the Group's customers as well as acceleration in progress for the Infrastructure Construction Services projects in 2023, following the lifting of restrictions imposed by the COVID-19 pandemic. Such combined effect led to the increase in revenue recognition and facilitated the revenue growth of the Group for the year ended 31 December 2023. On the other hand, the conversion rate of contract value into actualised work orders for the Completed Projects for Digitalisation Solution Services remained relatively stable at approximately 100.0%, 100.0% and 98.5% during the corresponding years.

The following table sets out details regarding the movement in the Group's project backlog by business segments during the Track Record Period and up to the Latest Practicable Date:

	Year ended 31 December			From 1 January 2024 up to the Latest Practicable Date
	2021	2022	2023	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Telecommunications Infrastructure Services				
– Infrastructure Construction Services				
Opening balance as at the beginning of the relevant year/period	864,859	537,240	1,014,330	811,009
Add: Contract value of newly awarded projects*(Note 1)*	359,575	890,195	387,186	113,070
Less: Revenue (VAT inclusive) recognised during the relevant year/period*(Note 2)*	(375,673)	(336,762)	(505,094)	(152,647)
Less: Remaining contract value of projects completed during the relevant year/period*(Note 3)*	(355,814)	(166,281)	(157,397)	(46,900)
Add: Adjustment for additional works for projects completed*(Note 4)*	44,294	89,938	71,984	38,384
Ending balance as at the end of the relevant year/period	537,240	1,014,330	811,009	762,916
– Infrastructure Maintenance Services				
Opening balance as at the beginning of the relevant year/period	47,316	36,685	97,547	60,452
Add: Contract value of newly awarded projects*(Note 1)*	20,175	111,894	15,708	1,790
Less: Revenue (VAT inclusive) recognised during the relevant year/period*(Note 2)*	(26,998)	(35,753)	(41,128)	(19,120)
Less: Remaining contract value of projects completed during the relevant year/period*(Note 3)*	(7,507)	(17,597)	(14,200)	(3,783)
Add: Adjustment for additional works for projects completed*(Note 4)*	3,700	2,318	2,525	2,056
Ending balance as at the end of the relevant year/period	36,685	97,547	60,452	41,395
Digitalisation Solution Services				
– Integrated Solution Services				
Opening balance as at the beginning of the relevant year/period	11,827	7,497	16,595	3,485
Add: Contract value of newly secured projects	116,289	20,312	32,539	–
Less: Revenue (VAT inclusive) recognised during the relevant year/period*(Note 2)*	(120,619)	(11,214)	(45,536)	(307)
Less: Remaining contract value of projects completed during the relevant year/period*(Note 3)*	–	–	(113)	–
Add: Adjustment for additional works for projects completed*(Note 4)*	N/A	N/A	N/A	N/A
Ending balance as at the end of the relevant year/period	7,497	16,595	3,485	3,178
– ***System Maintenance Services***				
Opening balance as at the beginning of the relevant year/period	4,415	2,978	811	1,721
Add: Contract value of newly secured projects	643	–	1,405	–
Less: Revenue (VAT inclusive) recognised during the relevant year/period*(Note 2)*	(2,081)	(2,166)	(495)	(222)
Less: Remaining contract value of projects completed during the relevant year/period*(Note 3)*	–	–	–	–
Add: Adjustment for additional works for projects completed*(Note 4)*	N/A	N/A	N/A	19
Ending balance as at the end of the relevant year/period	2,978	811	1,721	1,518
– Software Solution Services				
Opening balance as at the beginning of the relevant year/period	–	–	6,342	–
Add: Contract value of newly secured projects	–	70,163	69,064	10,380
Less: Revenue (VAT inclusive) recognised during the relevant year/period*(Note 2)*	–	(63,815)	(73,579)	–
Less: Remaining contract value of projects completed during the relevant year/period*(Note 3)*	–	(6)	(1,827)	–
Add: Adjustment for additional works for projects completed*(Note 4)*	N/A	N/A	N/A	N/A
Ending balance as at the end of the relevant year/period	–	6,342	–	10,380
Total ending balance of backlog	**584,400**	**1,135,625**	**876,667**	**819,387**

Notes:

1. For certain Telecommunications Infrastructure Services projects of the Group during the Track Record Period, the contract value was not specified in the relevant agreements, and thus the contract values of such projects would be determined based on the actual quantity of works carried out by the Group pursuant to the relevant work order(s) placed by the customer during the relevant year/period.

2. As the contract value according to the agreement is inclusive of VAT, for the purpose of calculating the project backlog, the revenue recognised during the relevant year/period also includes VAT.

3. A project is considered to be completed when the framework agreement or task specific agreement has expired in accordance with the contract term.

4. Adjustment refers to the value of the additional works carried out by the Group after a project had completed during the preceding years.

The Group operates on a project-by-project basis with new projects being obtained through open tender, single-source procurement or responding to invitation to quote. Generally, the framework agreement or task specific agreement for the Group's Telecommunications Infrastructure Services projects would stipulate a maximum or estimated contract value for the particular project, and the actual amount of revenue to be recognised would be determined based on progress of the work. As such, the value of its project backlog is dependent on a number of factors, including (i) the Group's ability to successfully capture new projects; (ii) the contract size of each new project awarded/secured; (iii) the amount of works carried out and the corresponding contract value recognised as revenue; and (iv) the remaining contract value of any completed project, during the relevant year. The closing balance of the Group's backlog during the Track Record Period amounted to approximately RMB584.4 million, RMB1,135.6 million and RMB876.7 million, respectively, and the Group's Infrastructure Construction Services business sub-segment was its main contributor.

During the Track Record Period, the value of the newly secured projects from the Group's Infrastructure Construction Services business sub-segment amounted to approximately RMB359.6 million, RMB890.2 million and RMB351.6 million, respectively. The fluctuations in the value of the Group's newly awarded projects in respect of its Infrastructure Construction Services business sub-segment is largely attributable to the business cycle of its largest customer in each year during the Track Record Period, Customer A. Customer A generally makes available for tender key projects on a bi-annual basis leading to relatively low contract value of newly secured projects during both 2021 and 2023. Subsequent to the Track Record Period and up to the Latest Practicable Date, the Group had been awarded 35 Telecommunications Infrastructure Services projects with an aggregate maximum or estimated contract value of approximately RMB114.9 million, 30 of which were Infrastructure Construction Services projects with an aggregate maximum or estimated contract value of approximately RMB113.1 million.

The closing balance of the Group's backlog in respect of its Digitalisation Solution Services projects was generally low, since the contract value of its projects are relatively low and its project life cycle was comparatively short with project implementation period of approximately one to 12 months.

To address any potential funding needs arising from the project backlog, the Group plans to utilise its operating cash inflow and its unutilised banking facilities which amounted to approximately RMB357.7 million as at 30 April 2024 to ensure sufficient liquidity. In addition, the Group intends to utilise a portion of the **[REDACTED]** from the **[REDACTED]** towards upfront costs and working capital. For details, please refer to the paragraphs headed "Business strategies – Enhancing the Group's liquidity position and financial capabilities in securing new large-scale Digitalisation Solution Services projects" in this section.

Ageing analysis of project backlog

The following table sets out the ageing analysis of the Group's balance of project backlog by business segments as at 31 December 2023 and its subsequent realisation up to the Latest Practicable Date:

	Within 1 year	More than 1 year but within 2 years	More than 2 years but within 3 years	More than 3 years	Sub-total	Subsequent realisation up to the Latest Practicable Date(Note)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (%)*
Telecommunications Infrastructure Services						
– Infrastructure Construction Services	278,334	499,464	33,211	–	811,009	103,081 (12.7%)
– Infrastructure Maintenance Services	10,909	49,543	–	–	60,452	17,065 (28.2%)
Digitalisation Solution Services						
– Integrated Solution Services	2,102	307	1,076	–	3,485	307 (8.8%)
– System Maintenance Services	1,378	–	343	–	1,721	203 (11.8%)
– Software Solution Services	–	–	–	–	–	– (0.0%)
Total	**292,723**	**549,314**	**34,630**	**–**	**876,667**	**120,656 (13.8%)**

Note: The amount of revenue (VAT inclusive) recognised subsequent to the Track Record Period up to the Latest Practicable Date divided by the balance of the project backlog as at 31 December 2023. As the project backlog is estimated based on the contract value which is inclusive of VAT, for the purpose of calculating the subsequent realisation, the revenue recognised also includes VAT.

As at the Latest Practicable Date, approximately RMB120.7 million, representing approximately 13.8% of the Group's total project backlog as at 31 December 2023, has been subsequently realised.

Tender success rate

Telecommunications Infrastructure Services

During the Track Record Period, the Group's Telecommunications Infrastructure Services projects were generally awarded by way of open tender whereby any eligible service provider could submit a tender to provide the services required by the customer. For the years ended 31 December 2021, 2022 and 2023, the Group had submitted 344, 291 and 256 tenders for Infrastructure Construction Services projects and had achieved a tender success rate of approximately 18.9%, 20.6% and 19.9% during the corresponding years, respectively, and the Group had submitted 25, 33 and 17 tenders for Infrastructure Maintenance Services projects and had achieved a tender success rate of approximately 44.0%, 39.4% and 41.2% during the corresponding years, respectively. The Group's tender success rate during the Track Record Period for both of these business segments were in line with the industry range in the PRC, which as advised by Ipsos, varied from approximately 15.0% to 35.0% in respect of infrastructure construction services and from approximately 30.0% to 45.0% in respect of infrastructure maintenance services. The following table sets out details regarding the Group's tender success rate for Telecommunications Infrastructure Services projects during the Track Record Period:

	Year ended 31 December		
	2021	2022	2023
Telecommunications Infrastructure Services			
– Infrastructure Construction Services			
Number of tenders submitted	344	291	256
Number of tenders awarded	65	60	51
Tender success rate *(Note)*	18.9%	20.6%	19.9%
– Infrastructure Maintenance Services			
Number of tenders submitted	25	33	17
Number of tenders awarded	11	13	7
Tender success rate *(Note)*	44.0%	39.4%	41.2%
Total number of tenders submitted	369	324	273
Total number of tenders awarded	76	73	58
Overall tender success rate *(Note)*	20.6%	22.5%	21.3%

Note: The tender success rate for a particular year is calculated based on the number of tenders awarded to the Group (whether awarded in the same year or subsequently) divided by the number of tenders submitted during that year.

The Group's overall tender success rate slightly increased from approximately 20.6% for the year ended 31 December 2021 to approximately 22.5% for the year ended 31 December 2022, and further decreased to approximately 21.3% for the year ended 31 December 2023. It was mainly due to the Group's efforts devoted to developing markets outside of Jiangxi Province. Sensing the market potential and business opportunities outside of Jiangxi Province, the Group has taken a more aggressive strategy and amongst the tenders submitted for the years ended 31 December 2021, 2022 and 2023, 51, 62 and 38 tenders were for projects located in Jiangxi Province while 318, 259 and 235 tenders were for projects located outside of Jiangxi Province. The Group has faced significant competition in markets outside of Jiangxi Province due to its relatively limited reputation and track record beyond the province. The challenges arise from its lesser-known presence and limited established connections, which have made it difficult to secure projects and establish a strong foothold in those markets. Expanding beyond Jiangxi Province have proven to be a comparatively challenging task for the Group, resulting in a relatively low overall tender success rate for the years ended 31 December 2021, 2022 and 2023. The Group's tender success rate for those projects located outside of Jiangxi Province during the Track Record Period was approximately 18.9%, 16.6% and 18.3%, respectively.

Digitalisation Solution Services

During the Track Record Period, due to the Group's track record in providing Digitalisation Solution Services and its prior relationship with the customers, the Digitalisation Solution Services projects were generally secured by way of single-source procurement or responding to invitations to quote, whereby the customers would approach the Group to directly seek terms and obtain quote, and may negotiate for mutually agreed contract terms. During each of the years during the Track Record Period, the Group had secured 11, 22 and 32 Digitalisation Solution Services projects, respectively.

CUSTOMERS

The Group's customers in Telecommunications Infrastructure Services business segment during the Track Record Period primarily comprised key players in the PRC telecommunications industry such as telecommunications network operators and telecommunications tower infrastructure service provider who would contract telecommunications infrastructure construction and maintenance works to the Group. As for the Group's Digitalisation Solution Services business segment, its customers mainly included not only telecommunications network operators but also local governments, quasi-government institutions, state-owned enterprises and private companies in the PRC who would engage the Group to provide Integrated Solution Services, System Maintenance Services and/or Software Solution Services for use in digitalisation related projects which cover various sectors such as digital healthcare, digital education, digital surveillance, digital government, digital industrial management and digital urban management, etc.

Salient terms of the agreements entered into with the Group's customers

Telecommunications Infrastructure Services

For Telecommunications Infrastructure Services, there is typically no long-term agreements entered into between the Group and its customers, and instead, during the Track Record Period, where a potential customer agrees to engage the Group for the provision of Infrastructure Construction Services and/or Infrastructure Maintenance Services, the Group would typically enter into a legally binding framework agreement on a project-by-project basis with that customer which would set out the basic terms of engagement under the relevant project. However, the actual works to be carried out by the Group would be set out in the specific work orders placed by the customer which would generally contain terms relating to specific type, scope and quantity of works required, contract value and target completion date.

Set out below are the salient terms of a typical framework agreement entered into between the Group and its customers in respect of its Infrastructure Construction Services projects and its Infrastructure Maintenance Services projects during the Track Record Period:

Infrastructure Construction Services

Type and scope of works:	The scope of works would be broadly set out in the framework agreement and would either incorporate the applicable technical and equipment specifications and quality requirements as set out in the tender documents or it would specifically list those specifications and requirements.
Term:	The framework agreement typically lasts for one to two years depending on the scope, scale and complexity of the project.
Contract value and rates:	The framework agreement typically sets out the maximum contract value or estimated contract value. However, the aggregate contract value or work orders or task specific agreement placed by the customer and may not necessary be equal to the maximum or estimate contract value.
Payment and credit terms:	In certain circumstances, the customer may be required to make an advance payment to the Group upon the placing of the individual work orders or signing of the task specific agreement, which typically amounts to 5% to 30% of the value of the work orders or task specific agreement. In some circumstances, the customer would pay up to a certain pre-agreed percentage of the value of the work certified by the customer or its agents as progress payment.

The Group typically grants its customers credit periods of up to 30 days pursuant to the agreement. However, as confirmed by the Directors, having considered the business relationships with the customers as well as their established background, the Group generally agrees to extend the credit period to up to 90 days, in view of the timeframe required for the customers to complete their internal procedures for processing the payments.

Payments are typically made by way of bank transfers.

Retention money: . . . . The customer may withhold a certain percentage of the final settlement amount as retention money. Typically, the retention money amounts to 3% to 10% of the final settlement amount. Retention money may also be withheld from each interim payment or all at once from the final payment to be settled pursuant to the final accounts. The retention money would usually be released upon the expiry of the defect liability period.

Defect liability period: . . . . The customer may require a defect liability period during which the Group is responsible for rectifying all defects that are due to its non-conformance with the relevant specifications. The defect liability period typically ranges from 12 to 24 months.

Liquidated damages: . If the project is delayed due to reasons caused by the Group, the Group would be liable to pay liquidated damages. However, if the delay is due to force majeure or caused by the customer, such as due to variation of works or delay in provision of required conditions for carrying out the construction works, the Group would normally be entitled to an extension of time.

Performance bond: . . . In order to secure due and timely performance of the Group, the customer may request the Group to obtain a performance bond issued by a bank in favour of the customer, pursuant to which the bank agrees to pay a sum of money to the customer if the Group fails to perform its obligations under the framework agreement or the work order. Generally, the amount of performance bond required does not exceed 10% of the contract value.

Termination: . . . . Typically, the framework agreement may be terminated by mutual agreement or as a result of a breach of the framework agreement by the defaulting party, in which case the non-defaulting party may terminate the framework agreement.

Infrastructure Maintenance Services

Type and scope of works:	The scope of works would be broadly set out in the framework agreement and would either incorporate the applicable technical and equipment specifications and quality requirements as set out in the tender documents.
Term:	The framework agreement typically lasts for one to three years.
Contract value and rates:	The framework agreement typically sets out the estimated contract value. However, the actual contract value would be determined based on the actual quantity of works placed by the customer
Payment and credit terms:	The Group is typically entitled to monthly payment for the provision of (i) routine infrastructure maintenance services, where the fee would generally be calculated using a formula that takes into account the basic fee, the pre-determined rates for additional services and the performance rating of the Group during the relevant month; and (ii) emergency trouble shooting and other add-on services, where the fee is generally calculated based on the actual quantity of services provided in the relevant month. The Group typically grants its customers credit periods of up to 30 days pursuant to the agreement. However, as confirmed by the Directors, having considered the business relationships with the customers as well as their established background, the Group generally agrees to extend the credit period to up to 90 days, in view of the timeframe required for the customers to complete their internal procedures for processing the payments. Payments are typically made by way of bank transfers.
Workers requirement:	The framework agreement may specify or incorporate the requirement in the tender documents with regards to the minimum number of workers required.
Liquidated damages: .	If the project is delayed due to reason caused by the Group, the Group would be liable to pay liquidated damages. However, if the delay is caused by the customer, such as due to variation of works or delay in provision of materials, the Group would normally be entitled to an extension of time.
Termination:	Typically, the framework agreement may be terminated by mutual agreement or as a result of a breach of the framework agreement by the defaulting party, in which case the non-defaulting party may terminate the framework agreement.

In other circumstances, the Group would directly enter into a legally binding agreement with the customer that is specific to the task at hand. The terms of task specific formal agreement are generally similar to those under the framework agreement or work orders of Telecommunications Infrastructure Services.

Digitalisation Solution Services

For Digitalisation Solution Services, there is typically no long-term agreements entered into between the Group and its customers, and instead, the Group and its customers would typically enter into a task specific agreement directly for provision of Integrated Solution Services and Software Solution Services on a project-by-project basis. Set out below are the salient terms of a typical agreement entered into between the Group and its customers in respect of such projects:

Type and scope of works:	The scope of works and the specifications of the hardware and/or software required by the customer would be broadly set out in the agreement.
Term:	Depending on the complexity of the projects, the project implementation period for the Integrated Solution Services projects could generally last for approximately one to 12 months, while the project implementation period for the Software Solution Services projects generally lasted for approximately one to three months.
Contract value and rates:	The agreement typically sets out the contract value and the unit rates for the hardware and/or software.
Payment and credit terms:	The agreement may include provisions for progress payments at various stages of the project. For certain projects, the Group may be entitled to receive an advance payment (typically 30% or 50% of total contract value) as part payment upon signing of the agreement. However, for projects without an advance payment, the Group is typically entitled to initial payment only after the customer or its agent has completed the inspection and acceptance of the project. The remaining balance is then payable in stages over specific periods of time (e.g. quarterly or every six or 12 months) following project completion. The entire payment cycle for the Group's Digitalisation Solution Services projects, which comprises payment in stages, typically spans three to five years.

As advised by Ipsos, this payment structure aligns with the industry norm for customers of digitalisation solution services, particularly the dominate players being the Big Three with significant bargaining power in negotiation of contract terms. These customers generally prefer credit terms that involve staggered payments throughout different stages of the project, including the commissioning stage, completion stage and post-completion stage, for flexibility and liquidity reasons. In addition, this prolonged payment period is consistent with the industry practice which allows the customers to ensure that the service providers for digitalisation solution services continue to deliver satisfactory follow-up services during the after-sales period within the post-completion stage of a project, which can last up to five years.

The credit term is typically stipulated in the agreement, which may vary on a case-by-case basis depending on project.

For some of the Group's large-scale Digitalisation Solution Services projects, the Group may only receive payment after the end users, who are typically regulatory authorities or public institutions, have made the corresponding payment to the Group's customers.

Payments are typically made by way of bank transfers.

After-sales period: . . . The Group may be required to provide after-sales services to its customers after the completion of a project or the expiry of the trial operation period. During the after-sales period, the Group is typically responsible for rectifying all defects that are due to its non-conformance to the relevant specifications. The Group may also be required to provide remote and/or on-site technical support services or software upgrade during the after-sales period which typically lasts for three months to five years.

Maintenance services: For some of the agreements with customers in respect of the Integrated Solution Services projects, the Group would provide System Maintenance Services for a period of approximately four to five years.

Intellectual property rights:. . . . . In respect of any self-developed software or core technologies of the Group which have been sold or applied in the software systems provided to the customers, the ownership of the intellectual property rights associated with the self-developed software or core technologies is retained by the Group, while the customers are conferred the licensed right to use such software systems. There is typically no restriction for the Group to apply its core technologies in respect of a particular customer's project to other customers' projects. For examples of the core technologies developed and adopted by the Group which had been applied to the projects undertaken by the Group during the Track Record Period, please refer to the paragraph headed "Research and development – Self-developed core technologies" in this section.

	In respect of any software which is the end-product of the Group's customised development services, the ownership of the intellectual property rights associated with the end products shall be transferred to the customers upon provision of the services.
	In respect of any third-party software sourced from third-party suppliers, the Group does not own the associated intellectual property rights, and the customers are conferred the licensed right to use such software systems.
Liquidated damages: .	If the project is delayed due to reason caused by the Group, the Group would be liable to pay liquidated damages. However, if the delay is caused by the customer, such as due to variation of work scope, the Group would normally be entitled to an extension of time.
Termination:	Typically, the agreement may be terminated by mutual agreement or as a result of a breach of the agreement by the defaulting party, in which case the non-defaulting party may terminate the agreement.

As confirmed by the Directors, during the Track Record Period and up to the Latest Practicable Date, the Group did not experience any material delays in respect of its Telecommunications Infrastructure Services projects or Digitalisation Solution Services projects which may result in damages or compensation being imposed on it. Furthermore, the Directors are not aware of any cancellation of projects or work orders during the Track Record Period and up to the Latest Practicable Date.

Five largest customers

The Group's revenue attributable to its five largest customers in each year during the Track Record Period amounted to approximately RMB476.3 million, RMB409.9 million and RMB592.3 million, representing approximately 99.4%, 99.2% and 97.2% of its total revenue, respectively, while the Group's revenue attributable to its largest customer in each year during the Track Record Period, namely Customer A, amounted to approximately RMB332.9 million, RMB237.7 million and RMB297.3 million for the years ended 31 December 2021, 2022 and 2023, respectively, representing approximately 69.5%, 57.5% and 48.8% of its total revenue, respectively. As at the Latest Practicable Date, the Group's business relationships with each of its five largest customers in each year during the Track Record Period ranged from approximately three to 21 years. Set out below is a breakdown of the Group's revenue attributable to its five largest customers in each year during the Track Record Period:

Year ended 31 December 2021

Rank	Customer	Background	Principal services provided by the Group	Year of commencement of business relationship	Typical credit terms and payment method (Notes 7, 8)	Transaction amount	Percentage of total revenue for the year
						(RMB'000)	
1	Customer A (Notes 1, 2) . . .	One of the PRC's Big Three telecommunications network operators, which has a subsidiary that is dually listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange. The listed subsidiary principally engages in telecommunications and information related businesses and for the year ended 31 December 2023, its revenue was approximately RMB1,009.3 billion.	Telecommunications Infrastructure Services and Digitalisation Solution Services	2003	For Telecommunications Infrastructure Services: 30 days from receipt of invoice; for Digitalisation Solution Services: 7 days to 3 months, bank transfer	332,929	69.5%
2	Customer B (Notes 1, 3) . . .	One of the PRC's Big Three telecommunications network operators, which has a subsidiary that is dually listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange. The listed subsidiary is principally engaged in the provision of fundamental telecommunications businesses including comprehensive wireline communications services, mobile communications services, value-added telecommunications businesses such as Internet access services, information services and other related services and for the year ended 31 December 2023, its revenue was approximately RMB513.6 billion.	Telecommunications Infrastructure Services and Digitalisation Solution Services	2019	For Telecommunications Infrastructure Services: 30 days from receipt of invoice; for Digitalisation Solution Services: payment by stages up to 60 months, bank transfer	61,071	12.7%
3	Customer C (Notes 1, 4) . . .	The world's largest telecommunications tower infrastructure service provider in 2021, the shares of which are listed on the Main Board of the Stock Exchange. It principally engages in the construction, maintenance and operation of base station ancillary facilities such as telecommunications towers, public network coverage in high-speed railways and subways, and large-scale indoor distributed antenna systems. For the year ended 31 December 2023, its revenue was approximately RMB94.0 billion.	Telecommunications Infrastructure Services	2015	Payable on presentation of monthly invoice, bank transfer	46,886	9.8%
4	Customer D (Notes 1, 5) . . .	One of the PRC's Big Three telecommunications network operators, the shares of which are listed on the Main Board of the Stock Exchange, and is indirectly controlled by a joint stock company incorporated under the laws of the PRC and listed on the Shanghai Stock Exchange. It principally engages in the provision of comprehensive telecommunications services. For the year ended 31 December 2023, its revenue was approximately RMB372.6 billion.	Telecommunications Infrastructure Services and Digitalisation Solution Services	2016	For Telecommunications Infrastructure Services: up to 30 days from receipt of invoice; for Digitalisation Solution Services: up to 15 days from receipt of invoice, bank transfer	24,229	5.1%
5	Customer F (Note 6)	A state-owned joint-stock commercial bank in the PRC, the shares of which are dually listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange and principally provides its customers with various corporate and personal financial products and services. For the year ended 31 December 2023, its net operating income was approximately RMB258.0 billion.	Digitalisation Solution Services	2021	10 days from receipt of invoice, bank transfer	11,176	2.3%
					Total	**476,291**	**99.4%**

Notes:

1. Refers to the ultimate customer and its group entities

2. During the year ended 31 December 2021, the Group generated revenue for the provision from services to 50 group entities of Customer A.

3. During the year ended 31 December 2021, the Group generated revenue for the provision from services to six group entities of Customer B.

4. During the year ended 31 December 2021, the Group generated revenue for the provision from services to 18 group entities of Customer C.

5. During the year ended 31 December 2021, the Group generated revenue for the provision from services to seven group entities of Customer D.

6. During the year ended 31 December 2021, the Group generated revenue from the provision of services to one branch office of Customer F.

7. The credit term set out herein is for reference only, and is related only to the framework agreement with the customer which had the largest maximum/estimated contract value during the relevant year. In practice, the customer may have entered into more than one framework agreement with the Group, and the credit term may vary amongst those agreements.

8. The Group typically grants its customers credit periods of up to 30 days pursuant to the agreement. However, as confirmed by the Directors, having considered the business relationships with the customers as well as their established background, the Group generally agrees to extend the credit periods to up to 90 days, in view of the timeframe required for the customers to complete their internal procedures for processing the payments.

Year ended 31 December 2022

Rank	Customer	Background	Principal services provided by the Group	Year of commencement of business relationship	Typical credit terms and payment method (Notes 7, 8)	Transaction amount	Percentage of total revenue for the year
						RMB'000	
1	Customer A (Notes 1, 2) . . .	One of the PRC's Big Three telecommunications network operators, which has a subsidiary that is dually listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange. The listed subsidiary principally engages in telecommunications and information related businesses and for the year ended 31 December 2023, its revenue was approximately RMB1,009.3 billion.	Telecommunications Infrastructure Services and Digitalisation Solution Services	2003	For Telecommunications Infrastructure Services: up to 30 days from receipt of invoice; for Digitalisation Solution Services: 30 days from receipt of invoice, subject to payment from end user, bank transfer	237,660	57.5%
2	Customer D (Notes 1, 3) . . .	One of the PRC's Big Three telecommunications network operators, the shares of which are listed on the Main Board of the Stock Exchange, and is indirectly controlled by a joint stock company incorporated under the laws of the PRC and listed on the Shanghai Stock Exchanges. It principally engages in comprehensive telecommunications services. For the year ended 31 December 2023, its revenue was approximately RMB372.6 billion.	Telecommunications Infrastructure Services and Digitalisation Solution Services	2016	For Telecommunications Infrastructure Services: up to 30 days; for Digitalisation Solution Services: 30 days, bank transfer	89,403	21.6%
3	Customer C (Notes 1, 4) . . .	The world's largest telecommunications tower infrastructure service provider in 2021, the shares of which are listed on the Main Board of the Stock Exchange. It principally engages in the construction, maintenance and operation of base station ancillary facilities such as telecommunications towers, public network coverage in high-speed railways and subways, and large-scale indoor distributed antenna systems. For the year ended 31 December 2023, its revenue was approximately RMB94.0 billion.	Telecommunications Infrastructure Services and Digitalisation Solution Services	2015	For Telecommunications Infrastructure Services: payable on presentation of invoice; for Digitalisation Solution Services: 14 days, bank transfer	60,816	14.7%
4	Customer B (Notes 1, 5) . . .	One of the PRC's Big Three telecommunications network operators, which has a subsidiary that is dually listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange. The listed subsidiary is principally engaged in the provision of fundamental telecommunications businesses including comprehensive wireline communications services, mobile communications services, value-added telecommunications businesses such as Internet access services, information services and other related services and for the year ended 31 December 2023, its revenue was approximately RMB513.6 billion.	Telecommunications Infrastructure Services and Digitalisation Solution Services	2019	For Telecommunications Infrastructure Services: 30 days from receipt of invoice; for Digitalisation Solution Services: 30 to 180 days, bank transfer	15,581	3.8%
5	Customer F (Note 6)	A state-owned joint-stock commercial bank in the PRC, the shares of which are dually listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange and principally provides its customers with various corporate and personal financial products and services. For the year ended 31 December 2023, its net operating income was approximately RMB258.0 billion.	Digitalisation Solution Services	2021	10 days, bank transfer	6,416	1.5%
					Total	**409,876**	**99.2%**

Notes:

1. Refers to the ultimate customer and its group entities.

2. During the year ended 31 December 2022, the Group generated revenue from the provision of services to 52 group entities of Customer A.

3. During the year ended 31 December 2022, the Group generated revenue from the provision of services to 13 group entities of Customer D.

4. During the year ended 31 December 2022, the Group generated revenue from the provision of services to 31 group entities of Customer C.

5. During the year ended 31 December 2022, the Group generated revenue from the provision of services to seven group entities of Customer B.

6. During the year ended 31 December 2022, the Group generated revenue from the provision of services to two branch offices of Customer F.

7. The credit term set out herein is for reference only, and is related only to the framework agreement with the customer which had the largest maximum/estimated contract value during the relevant year. In practice, the customer may have entered into more than one framework agreement with the Group, and the credit term may vary amongst those agreements.

8. The Group typically grants its customers credit periods of up to 30 days pursuant to the agreement. However, as confirmed by the Directors, having considered the business relationships with the customers as well as their established background, the Group generally agrees to extend the credit periods to up to 90 days, in view of the timeframe required for the customers to complete their internal procedures for processing the payments.

Year ended 31 December 2023

Rank	Customer	Background	Principal services provided by the Group	Year of commencement of business relationship	Typical credit terms and payment method (Notes 7, 8)	Transaction amount	Percentage of total revenue for the year
						RMB'000	
1	Customer A (Notes 1, 2) . . .	One of the PRC's Big Three telecommunications network operators, which has a subsidiary that is dually listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange. The listed subsidiary principally engages in telecommunications and information related businesses and for the year ended 31 December 2023, its revenue was approximately RMB1,009.3 billion.	Telecommunications Infrastructure Services and Digitalisation Solution Services	2003	For Telecommunications Infrastructure Services: up to 30 days from receipt of invoice; for Digitalisation Solution Services: 30 days from receipt of invoice, subject to payment from end user, bank transfer	297,250	48.8%
2	Customer D (Notes 1, 3) . . .	One of the PRC's Big Three telecommunications network operators, the shares of which are listed on the Main Board of the Stock Exchange, and is indirectly controlled by a joint stock company incorporated under the laws of the PRC and listed on the Shanghai Stock Exchanges. It principally engages in comprehensive telecommunications services. For the year ended 31 December 2023, its revenue was approximately RMB372.6 billion.	Telecommunications Infrastructure Services and Digitalisation Solution Services	2016	For Telecommunications Infrastructure Services: up to 30 days; for Digitalisation Solution Services: 30 days, bank transfer	132,080	21.7%
3	Customer C (Notes 1, 4) . . .	The world's largest telecommunications tower infrastructure service provider in 2021, the shares of which are listed on the Main Board of the Stock Exchange. It principally engages in the construction, maintenance and operation of base station ancillary facilities such as telecommunications towers, public network coverage in high-speed railways and subways, and large-scale indoor distributed antenna systems. For the year ended 31 December 2023, its revenue was approximately RMB94.0 billion.	Telecommunications Infrastructure Services and Digitalisation Solution Services	2015	For Telecommunications Infrastructure Services: payable on presentation of invoice; for Digitalisation Solution Services: 14 days, bank transfer	126,362	20.7%
4	Customer B (Notes 1, 5) . . .	One of the PRC's Big Three telecommunications network operators, which has a subsidiary that is dually listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange. The listed subsidiary is principally engaged in the provision of fundamental telecommunications businesses including comprehensive wireline communications services, mobile communications services, value-added telecommunications businesses such as Internet access services, information services and other related services and for the year ended 31 December 2023, its revenue was approximately RMB513.6 billion.	Telecommunications Infrastructure Services and Digitalisation Solution Services	2019	For Telecommunications Infrastructure Services: 30 days from receipt of invoice; for Digitalisation Solution Services: 30 to 180 days, bank transfer	22,747	3.7%
5	Customer I	A group entity of the fourth largest telecommunications network operator in the PRC, a state-owned enterprise, which officially commenced its telecommunication network operation business in October 2020 after it has obtained the requisite license from the government and primarily operates a 5G network and a nationwide cable TV network in the PRC. Customer I has a registered capital of approximately RMB132.8 billion.	Digitalisation Solution Services	2023	30 days, bank transfer	13,876	2.3%
					Total	592,315	97.2%

Notes:

1. Refers to the ultimate customer and its group entities.

2. During the year ended 31 December 2023, the Group generated revenue from the provision of services to 54 group entities of Customer A.

3. During the year ended 31 December 2023, the Group generated revenue from the provision of services to 18 group entities of Customer D.

4. During the year ended 31 December 2023, the Group generated revenue from the provision of services to 31 group entities of Customer C.

5. During the year ended 31 December 2023, the Group generated revenue from the provision of services to 10 group entities of Customer B.

6. The credit term set out herein is for reference only, and is related only to the framework agreement with the customer which had the largest maximum/estimated contract value during the relevant year. In practice, the customer may have entered into more than one framework agreement with the Group, and the credit term may vary amongst those agreements.

7. The Group typically grants its customers credit periods of up to 30 days pursuant to the agreement. However, as confirmed by the Directors, having considered the business relationships with the customers as well as their established background, the Group generally agrees to extend the credit periods to up to 90 days, in view of the timeframe required for the customers to complete their internal procedures for processing the payments.

The Directors confirm that each of the Group's five largest customers in each year during the Track Record Period are Independent Third Parties and none of the Directors, or their close associates or any Shareholder holding more than 5% of the Company's issued share capital had any interests in any of the Group's five largest customers in each year during the Track Record Period. To the best knowledge of the Directors having made all reasonable enquiries, none of the Group's five largest customers in each year during the Track Record Period was also its supplier during the Track Record Period.

Historical concentration in revenue derived from the Group's five largest customers in each year during the Track Record Period

Telecommunications network operators are important to the PRC government. The telecommunications industry is considered a strategic sector that is closely tied to national security and stability, as it plays a critical role in the flow of information and communication within the country. Telecommunications network operators in the PRC are responsible for providing the infrastructure and services that enable communication and information exchange, including voice and data transmission, internet access, and mobile services. As such, they are in a position to collect, store, and transmit large amounts of sensitive information, including personal data, financial information, and government communications. The PRC government has implemented tight control over the telecommunications industry to ensure that national security concerns are addressed, including the allocation of licenses and spectrum. This control has led to a limited number of players in the market, as the government allocates licenses and spectrum only to a select few players including, Customer A, Customer D and Customer B, being the Big Three. It was only until October 2020 the fourth largest telecommunications network operator officially commenced the telecommunications network operation business after it has obtained the requisite license from the PRC government. In spite of this, as advised by Ipsos, the limited competition in the industry gives these players greater bargaining power in their partnerships with telecommunications infrastructure services providers.

During the Track Record Period, the Group's revenue was relatively concentrated and largely attributable to Customer A, Customer D, Customer C and Customer B, which in aggregate amounted to approximately RMB465.1 million, RMB403.5 million and RMB578.4 million, representing approximately 97.1%, 97.7% and 94.9% of its total revenue, respectively. The Directors consider that the Group's concentration in revenue is largely attributable to the limited number of telecommunications network operators in the PRC's telecommunications industry as mentioned above, essentially taken up almost all of the market share. Furthermore, according to the Ipsos Report, while the PRC government has taken steps to open up the telecommunications industry for private investment in recent years, due to the extremely high entry barriers attributable to the significant investment in infrastructure, technology and expertise, the former triopoly of the Big Three, which now becomes the quadropoly with the recent addition of the fourth largest telecommunications network operator, is expected to remain in the foreseeable future. The Big Three together with the world's largest telecommunications tower infrastructure service provider had accounted for over 90% of the completed investment in the telecommunications infrastructure services in the PRC. In light of this, as advised by Ipsos, it is common for integrated service providers such as the Group who primarily act for telecommunications network operators and telecommunications tower infrastructure service providers to have a high revenue concentration on a few customers.

Customer A is the largest customer of the Group in each year during the Track Record Period, the Group's revenue attributable to Customer A amounted to approximately RMB332.9 million, RMB237.7 million and RMB297.3 million, representing approximately 69.5%, 57.5% and 48.8% of the Group's total revenue for each of the years ended 31 December 2021, 2022 and 2023, respectively. The Directors believe that the high revenue contribution from Customer A is largely due to the fact that (i) the Group is based and the majority of its projects are located in Jiangxi Province where Customer A enjoys a dominant market position; and (ii) the Group had established a relatively long business relationship with Customer A compared with other telecommunications network operators.

The gross profit margin for the Group's projects with Customer A for the years ended 31 December 2021, 2022 and 2023, was approximately 14.3%, 15.9% and 20.9%, respectively. The gross profit margin for Customer A slightly increased from approximately 14.3% for the year ended 31 December 2021 to approximately 15.9% in 2022, which was primarily attributable to the completion of a Software Solution Services project involving customised development of software for the digital government sector in 2022 which incurred minimal project costs. Such increase was partially offset by the absence of recognition of revenue from Integrated Solution Services projects and the continuous increase in costs of ancillary construction materials such as cables and wires. The Group's gross profit margin for Customer A for the year ended 31 December 2023 continued to increase to approximately 20.9% due to (i) the practical completion of works under several Infrastructure Construction Services projects in 2023 involving provision of power grid connection services, access network related services and wireless network equipment installation works which had a higher gross profit margin due to high complexity and specialised skills required, and (ii) the completion of an increased number of Digitalisation Solution Services projects in 2023, which had a high gross profit margin, when compared to that in 2022.

Customer A is one of the world's largest telecommunications companies, with a significant presence in the PRC, its corporate structure is designed to enable efficient and effective management and operations while maintaining centralised control and oversight at the top level. In general, Customer A is organised into a headquarters and several regional companies, such as subsidiaries or branches at province-level or city-level. The headquarters is responsible for overall strategy and management, while the regional companies are responsible for managing the telecommunications infrastructure and services within their respective regions, including the construction and maintenance of network infrastructure and the provision of telecommunications services to customers. The Directors believe that this structure enables Customer A to efficiently manage its operations while ensuring that it can respond to local market conditions and requirements. The Group had provided services for 50, 52 and 54 subsidiaries/branches of Customer A for the years ended 31 December 2021, 2022 and 2023, respectively, and no single subsidiary/branch of Customer A had contributed revenue that accounted for more than 20% of the Group's total revenue in the corresponding years. During the Track Record Period and up to the Latest Practicable Date, there has been no material change in the principal project terms with Customer A, which were governed by individual framework agreements between the Group and Customer A on a project-by-project basis, and as confirmed by the Directors, there has been no failed projects with Customer A.

The Group has maintained a continuous, sustainable and mutually beneficial business relationship with Customer A for over 20 years and that its business with Customer A will continue to grow over time. The Directors consider that the Group's sound business relationship with Customer A is a testament to its ability in providing quality services and solutions, and its capabilities is further reflected in the fact that the Group had received multiple industry awards relating to its performance including awards from Customer A and other customers, signifying its role as an excellent service provider. In addition, according to the Ipsos Report, there are multiple entry barriers to the telecommunications integrated service industry limiting the number of market players, including (i) a strong capital position, as a typical project involves significant upfront commitment of resources and capital and the payment process can be lengthy and delays may occur; (ii) a proven track record, as market players are required to demonstrate their competence and experience in the field during the tender process; and (iii) specific licenses, which are required for a company to participate in the projects of the key market players in the telecommunications infrastructure services industry. Having considered the foregoing, the Directors believe that the Group is one of the key service providers in the PRC headquartered in Jiangxi Province and cannot be easily supplanted by other market players. Furthermore, the Directors are of the view that the regional companies of telecommunications network operators have autonomy to invite and decide tenders for the projects within their respective regions, thereby preventing any large scale inter-regional material failures or omissions in the works performed. In case the Group failed a particular project in a particular region, the Group will still be eligible to tender and continue its business relationship with other regional subsidiaries/ branches of Customer A, effectively mitigating the risk from high revenue concentration.

Notwithstanding the above, the Group has devoted extensive efforts to reducing its reliance on Customer A through expanding its business with Customer C, Customer D and Customer B. For the years ended 31 December 2021 and 2022, the aggregate revenue derived from Customer C, Customer D and Customer B increased from approximately RMB132.2 million for the year ended 31 December 2021 to approximately RMB165.8 million for the year ended 31 December 2022, and further increased to approximately RMB281.2 million for the year end 31 December 2023, which accounted for approximately 27.6%, 40.1% and 46.1% of the Group's total revenue during the corresponding years. Among the Group's 52 Pre-revenue Projects as at the Latest Practicable Date, 32 were for Customer C, Customer D and Customer B and of which 26 were Infrastructure Construction Services projects, four were Infrastructure Maintenance Services projects and two were Digitalisation Solution Services projects.

Following the **[REDACTED]**, the Group endeavours to continue to expand its business with other major customers so as to reduce its reliance on any single customer. The Group is actively pursuing the collaboration with the fourth largest telecommunications network operator in the PRC which holds a significant position within the industries as it operates a 5G network and a nationwide cable TV network. The Group also intends to further develop its Digitalisation Solution Services business segment where apart from telecommunications network operators and telecommunications tower infrastructure service provider, its customers included, local government, quasi-government institutions, state-owned enterprises and private companies. Revenue derived from these other customers during the Track Record Period amounted to approximately RMB13.1 million, RMB6.4 million and RMB14.2 million, representing approximately 11.5%, 9.1% and 11.7% of the Group's revenue derived from the provision of Digitalisation Solution Services.

The Group's customer who are also its supplier

The Group's five largest customers in each year during the Track Record Period included the Big Three, which are the three largest telecommunications network operators in the PRC, and the world's largest telecommunications tower infrastructure service provider in 2022. Due to the nature of the Group's Telecommunications Infrastructure Services projects, the Group may on a few occasions be required to pay for the service fees for certain telecommunications services (such as mobile telecommunications services and Internet network resources) provided by Customer D to enable the Group to perform the services required under such projects. During the Track Record Period, (i) the revenue generated from provision of services to Customer D, who is also one of the Group's suppliers, amounted to approximately RMB24.2 million, RMB89.4 million and RMB132.1 million, respectively, representing approximately 5.1%, 21.6% and 21.7% of the total revenue, respectively; (ii) the gross profit generated from the same amounted to approximately RMB4.8 million, RMB41.9 million and RMB38.9 million, representing approximately 5.3%, 40.4% and 26.1% of the total gross profit, respectively; and (iii) the gross profit margin generated thereof was approximately 20.0%, 46.8% and 29.4%, respectively. The Group's purchases from Customer D during the Track Record Period amounted to approximately RMB77,000, nil and nil, respectively, which the Directors believe to be insignificant.

SUPPLIERS

During the Track Record Period, the Group's suppliers mainly consisted of its (i) labour suppliers which would supply labour and ancillary construction materials for the Group's projects and perform the required tasks as specified in the relevant contracts; and (ii) hardware and software suppliers who would supply hardware (such as cables, switches, cameras, biometric scanners, monitors, computers and data storage and processing system), third-party software and technical support and maintenance services. For the years ended 31 December 2021, 2022 and 2023, the Group's total procurement costs amounted to approximately RMB393.2 million, RMB310.4 million and RMB473.1 million, respectively.

Labour suppliers

During the Track Record Period, the Group generally engaged labour suppliers to supply labour services for its Telecommunications Infrastructure Services projects. As advised by the PRC Legal Advisers, the engagement of labour suppliers by the Group does not constitute subcontracting in nature, and the labour suppliers are not considered as the Group's subcontractors. The primary reasons are as follows: (i) during the performance of the project, the Group retained control over the core management and technical aspects in relation to its Telecommunications Infrastructure Services, and the workers of the labour suppliers would typically only carry out sporadic, non-core but labour-intensive on-site works under the instructions and supervision of the Group's project management team and project manager designated for the projects; (ii) the Group is ultimately responsible to its customers for the works under the project (including the works completed by its labour suppliers), and it independently assumes contractual responsibilities (as opposed to assuming joint and several liability with the labour suppliers); and (iii) engaging labour suppliers on a large scale is an industry practice within the telecommunications infrastructure and maintenance services industry in the PRC. Further, as confirmed by the PRC Legal Advisers, the Group has not been involved in or experienced any disputes, litigations, penalties or breach of the framework agreement with its customers in respect of the engagement of labour suppliers to supply labour services.

Under the Group's agreement with its labour suppliers, they would be responsible for arranging for sufficient workers and completing the works under the instructions of the Group's project managers. Typically, the Group would engage the labour suppliers for completing the on-site labour intensive works, such as construction of base station towers, excavation of cable trenches, laying of cables, installation and demolishment of telecommunications equipment, and transportation of materials and supplies. The labour suppliers would also generally be responsible for the provision of ancillary construction materials needed for the Group's Telecommunications Infrastructure Services projects while the Group would remain responsible for the core aspects of the projects such as overall project management and implementation, testing and inspection as well as quality control. The Directors believe that through the use of labour provided by the Group's labour suppliers, the Group can better allocate its skilled labour and reduce its administrative works and fixed costs to maintain a large number of workers thus achieving higher operational efficiency as well as greater cost savings and increase its profitability. To further illustrate the above, the Group's Telecommunications Infrastructure Services projects are labour intensive and are situated across Central Region, Western Region, Eastern Region and Northeastern Region of the PRC. Given the varied locations of the Group's projects, it would not be easy to manage a considerable number of workers across the various regions nor economically feasible to directly maintain a significant labour force which would need to be constantly redeployed elsewhere upon completion of a project or otherwise laid off. In light of that, it is therefore highly beneficial to the operation of the Group to engage labour suppliers locally where the projects are located. According to the Ipsos Report, it is common in the telecommunications industry for infrastructure service providers such as the Group to engage labour suppliers as it enables them to better focus on core aspects of a project as mentioned above and catering to ad hoc customer needs while allowing it to reduce its overall overhead costs.

The Group maintains a list of approved labour suppliers that are selected based on a number of criteria including but not limited to their scale of workforce, location and qualifications (including possessing the requisite qualifications or licences which typically include the Qualification Certificate of Construction Enterprise（建築業企業資質證書）and Work Safety License（安全生產許可證）issued by the relevant authorities in the PRC for carrying out the required tasks involved in the Group's projects). When selecting the appropriate labour suppliers for use in its projects, the Group would obtain quotations from multiple suppliers on the approved list. After considering the nature, pricing and location of the relevant project, the Group would select the most appropriate labour supplier. In order to ensure the quality of the Group's labour suppliers, the Group will generally require the labour suppliers to report to the Group on a monthly basis and the Group's project managers will closely monitor and review the works of its labour suppliers to ensure their adherence to the plans and specifications as outlined in the relevant agreements and/or work orders and the standard of the Group's customers. Where the labour supplier fails to perform as required, it will be reported to the Group's management and the Group will take appropriate actions which may include (i) carrying out discussions to understand their reasons for their delay or under performance, (ii) deploying the Group's direct staff to assist in carrying out the requisite tasks and/or (iii) replacing the labour supplier to ensure that no further delay or material issues will arise. The Directors confirm that during the Track Record Period and up to the Latest Practicable Date, the Group did not experience any material delay or issue due to the failure of its labour suppliers in performing as required.

As at the Latest Practicable Date, the Group maintained a list which contained over 60 approved labour suppliers whom the Group would engage from time to time. The list would be reviewed periodically by the management of the Group in light of the above factors and underperforming labour suppliers would not be engaged by the Group for new projects, and new qualified labour suppliers may be added to the list.

Salient terms of framework agreements entered into with the Group's labour suppliers

The Group typically enters into framework agreements with the labour suppliers which would set out the basic terms of their engagement. Set out below are the salient terms of a typical framework agreement entered into between the Group and its labour suppliers during the Track Record Period:

Type and scope of works:	The scope of works that the labour supplier is expected to perform is broadly set out in the framework agreement and will be further specified in the work order(s) to be placed or the specific task agreement(s) to be entered into by the Group with the labour supplier during the term of the framework agreement.
Term	The term of the framework agreement typically lasts for one year. Depending on the length of implementation period of the Group's project, the Group would typically renew the framework agreement with its labour supplier on an annual basis by mutual agreement.
Payment and credit terms:	Payments are made by way of bank transfers. The labour supplier would generally extend to the Group a credit period of 30 to 45 days from the date of the Group's receipt of payments from its customers.
Quality and default liability period:	If the quality of the work completed by the labour supplier fails to meet the standards of the Group or its customer, the labour supplier is responsible for the rectification of the defects and the associated costs. The labour supplier may also be required to provide a defect liability period for a term commensurate with that provided by the Group to its customer under the same project.
Performance bond:	The Group may request the labour supplier to provide a performance bond in favour of the Group, which may be provided by way a bank guarantee, in accordance to the amount as set out in the work orders to be placed by the Group. The funds represented by the bond less any deduction of liquidated damages (if any) would be released to the labour supplier without interest (i) within 30 days from the expiration of the framework agreement, or (ii) if the Group has provided performance bond to its customer in respect of the same project, after the return of the same from its customer, whichever is the later.
Liquidated damages:	The labour supplier would be liable to pay liquidated damages for each day it delayed the schedule of the project.

Termination:	Generally, the Group is entitled to terminate the framework agreement and the work orders in the event of: (i) change in the responsible manager of the labour supplier without the Group's consent; (ii) material delay in the project schedule caused by the labour supplier; (iii) failure to timely rectify sub-standard work as instructed; (iv) subcontracting without the Group's consent; or (v) breach of representations and warranties by the labour supplier where the objectives could no longer be achieved. Either party is entitled to terminate the framework agreement and the work orders in the event of (i) force majeure; (ii) breach of contract by the other party; or (iii) termination or suspension of construction by the Group's customer.

After entering into a framework agreement, the Group would in turn, based on the work order received from its customers, place a separate work order which would set out the relevant terms such as the contract value, type, location and scope of the work to be completed by the labour supplier as well as the target completion date and the payment terms. In other circumstances, the Group may enter into task specific agreements with its labour suppliers which would generally set out terms such as contract value, type and scope of works, term, payment and credit terms, liquidated damages and insurance. For payment terms, although the work order would generally stipulate that the Group would generally provide its labour supplier an advance payment of approximately 50% of the contract value as stipulated in the work order within 15 days after the commencement of works, in practice, according to the framework agreement, the suppliers would generally extend to the Group a credit period of 30 to 45 days from the date of the Group's receipt of payments from its customers. After the works are accepted by the Group's customers at settlement audit and expiry of the defect liability period, the Group's customers would pay the Group accordingly and the Group would then pay the remaining balance of the contract value to the labour suppliers. If performance bond has been provided, it would generally be released to the labour supplier after the expiration of the framework agreement, or if the Group has also provided performance bond to its customer, after the release of the same from its customer, whichever is the later.

As confirmed by the Directors, during the Track Record Period, the Group did not experience any material litigation or dispute relating to late payments to its labour suppliers which would have a material impact upon its business operations and financial condition.

Hardware and software suppliers

The materials and equipment required by the Group in carrying out works under its Telecommunications Infrastructure Services projects during the Track Record Period primarily consisted of (i) telecommunications equipment, which would generally be provided by its customers, and (ii) ancillary construction materials, such as cement, reinforcement steels and screws, which would generally be provided by the labour suppliers. For the hardware and third-party software systems required in the Group's Integrated Solution Services projects, the relevant agreements with the Group's customers would typically include a list which sets out the specifications such as the name, brand and product code of the hardware and where applicable, the third-party software required, and the Group will source such hardware and software from its approved suppliers or suppliers designated by the customers.

When selecting and approving suppliers, the Group follows a comprehensive evaluation process that typically involves obtaining quotations from more than three suppliers for comparison. The Group takes into account a range of factors during the process, including (i) the price, quantity, variety and specifications of hardware and third-party software they offer, and (ii) the payment and delivery terms. Where possible, the Group strives to source the required hardware, such as monitors, surveillance cameras, cables, data storage systems and other materials, and third-party software systems from a wide range of suppliers so as to reduce its reliance on any single supplier and to guard against any shortages.

The Group typically places order with its hardware and software suppliers after securing a project. During the Track Record Period, the Group did not enter into any long-term purchase agreements with its hardware and software suppliers, however, it would generally enter into legally binding agreements with its hardware and software suppliers on an order-by-order basis. The prices at which the Group's hardware and third-party software systems were supplied were generally determined by reference to the market price. Where there is a material increase in the price of such hardware and/or software systems after the contract has been awarded to the Group but prior to the Group entering into contract with the hardware and software supplier, the Group will generally need to assume the difference. However, when determining the offer price, the Group would generally consider various factors such as price trends to guard against material fluctuations in the costs of procurement. Prepayment is usually required depending on the type, quantity and specifications of the hardware and software procured. Generally, the Group is required to pay for the balance after the delivery. The hardware and software suppliers typically grant the Group a credit period of up to 15 days upon delivery.

As confirmed by the Directors, during the Track Record Period up to the Latest Practicable Date, the Group did not experience any material storage of, or material difficulties in procuring materials as well as any fluctuations in the costs of its materials which had a material impact upon its business operations and financial conditions.

Five largest suppliers

During the Track Record Period, the Group's procurement costs incurred which were attributable to its five largest suppliers in each year amounted to approximately RMB229.3 million, RMB222.5 million and RMB294.3 million, representing approximately 58.3%, 71.7% and 61.8% of its total purchases, while the procurement costs incurred which were attributable to the Group's largest supplier in each year during the Track Record Period amounted to approximately RMB128.3 million, RMB100.2 million and RMB91.6 million, representing approximately 32.6%, 32.3% and 19.2% of its total purchases, respectively. As at the Latest Practicable Date, the Group's business relationships with each of its five largest suppliers in each year during the Track Record Period ranged from approximately two to nine years. Set out below is a breakdown of the Group's procurement costs incurred which were attributable to its five largest suppliers in each year during the Track Record Period:

Year ended 31 December 2021

Rank	Supplier	Background	Principal services/ products provided to the Group	Year of commencement of business relationship	Typical credit terms and payment method (Note)	Transaction amount	Percentage of total purchases for the year
						RMB'000	
1	Supplier A.	A private company based in Jiangxi Province with registered share capital of RMB30.0 million and principally engages in provision of labour services	Labour services	2015	50% prepayment within 15 days of commencement of works; 40% within 30 days of final inspection; and 10% upon expiry of defect liability period, bank transfer	128,316	32.6%
2	Supplier C.	A private company based in Guizhou Province with registered share capital of RMB2.0 million and principally engages in provision of labour services	Labour services	2019	50% prepayment within 15 days of commencement of works; 40% within 30 days of final inspection; and 10% upon expiry of defect liability period, bank transfer	31,544	8.0%
3	Supplier F.	A private company based in Shanghai with registered share capital of RMB11.0 million and principally engages in provision of labour services	Labour services	2019	50% prepayment within 15 days of commencement of works; 40% within 30 days of final inspection; and 10% upon expiry of defect liability period, bank transfer	31,384	8.0%
4	Supplier G	A private company based in Jiangxi Province with registered share capital of RMB8.0 million and principally engages in provision of labour services	Labour services	2021	50% prepayment within 15 days of commencement of works; 40% within 30 days of final inspection; and 10% upon expiry of defect liability period, bank transfer	22,568	5.7%
5	Supplier B.	A private company based in Jiangxi Province with registered share capital of RMB20.0 million and principally engages in provision of labour services	Labour services	2015	50% prepayment within 15 days of commencement of works; 40% within 30 days of final inspection; and 10% upon expiry of defect liability period, bank transfer	15,476	4.0%
					Total	**229,287**	**58.3%**

Note: The credit term set out herein is for reference only, and is related only to the individual work orders placed by the Group to its labour supplier. In practice, according to the framework agreement, the supplier would generally extend to the Group a credit period of 30 to 45 days from the date of the Group's receipt of payments from its customers.

Year ended 31 December 2022

Rank	Supplier	Background	Principal services/ products provided to the Group	Year of commencement of business relationship	Typical credit terms and payment method (Note)	Transaction amount	Percentage of total purchases for the year
						RMB'000	
1	Supplier C.	A private company based in Guizhou Province with registered share capital of RMB2.0 million and principally engages in provision of labour services	Labour services	2019	50% prepayment within 15 days of commencement of works; 40% within 30 days of final inspection; and 10% upon expiry of defect liability period, bank transfer	100,164	32.3%
2	Supplier A.	A private company based in Jiangxi Province with registered share capital of RMB30.0 million and principally engages in provision of labour services	Labour services	2015	50% prepayment within 15 days of commencement of works; 40% within 30 days of final inspection; and 10% upon expiry of defect liability period, bank transfer	42,242	13.6%
3	Supplier G	A private company based in Jiangxi Province with registered share capital of RMB8.0 million and principally engages in provision of labour services	Labour services	2021	50% prepayment within 15 days of commencement of works; 40% within 30 days of final inspection; and 10% upon expiry of defect liability period, bank transfer	33,471	10.8%
4	Supplier B.	A private company based in Jiangxi Province with registered share capital of RMB20.0 million and principally engages in provision of labour services	Labour services	2015	50% prepayment within 15 days of commencement of works; 40% within 30 days of final inspection; and 10% upon expiry of defect liability period, bank transfer	32,428	10.4%
5	Supplier H.	A private company based in Zhejiang Province with registered share capital of RMB10.0 million and principally engages in provision of labour services	Labour services	2021	50% prepayment within 15 days of commencement of works; 40% within 30 days of final inspection; and 10% upon expiry of defect liability period, bank transfer	14,213	4.6%
					Total	**222,518**	**71.7%**

Note: The credit term set out herein is for reference only, and is related only to the individual work orders placed by the Group to its labour supplier. In practice, according to the framework agreement, the supplier would generally extend to the Group a credit period of 30 to 45 days from the date of the Group's receipt of payments from its customers.

Year ended 31 December 2023

Rank	Supplier	Background	Principal services/ products provided to the Group	Year of commencement of business relationship	Typical credit terms and payment method (Note)	Transaction amount	Percentage of total purchases for the year
						RMB'000	
1	Supplier B.	A private company based in Jiangxi Province with registered share capital of RMB20.0 million and principally engages in provision of labour services	Labour services	2015	50% prepayment within 15 days of commencement of works; 40% within 30 days of final inspection; and 10% upon expiry of defect liability period, bank transfer	91,634	19.2%
2	Supplier C.	A private company based in Guizhou Province with registered share capital of RMB2.0 million and principally engages in provision of labour services	Labour services	2019	50% prepayment within 15 days of commencement of works; 40% within 30 days of final inspection; and 10% upon expiry of defect liability period, bank transfer	61,800	13.0%
3	Supplier G	A private company based in Jiangxi Province with registered share capital of RMB8.0 million and principally engages in provision of labour services	Labour services	2021	50% prepayment within 15 days of commencement of works; 40% within 30 days of final inspection; and 10% upon expiry of defect liability period, bank transfer	61,759	13.0%
4	Supplier A.	A private company based in Jiangxi Province with registered share capital of RMB30.0 million and principally engages in provision of labour services	Labour services	2015	50% prepayment within 15 days of commencement of works; 40% within 30 days of final inspection; and 10% upon expiry of defect liability period, bank transfer	46,202	9.7%
5	Supplier J	A private company based in Jiangxi Province with registered share capital of RMB10.0 million and principally engages in provision of labour services	Labour services	2022	50% prepayment within 15 days of commencement of works; 40% within 30 days of final inspection; and 10% upon expiry of defect liability period, bank transfer	32,928	6.9%
					Total	**294,323**	**61.8%**

Note: The credit term set out herein is for reference only, and is related only to the individual work orders placed by the Group to its labour supplier. In practice, according to the framework agreement, the supplier would generally extend to the Group a credit period of 30 to 45 days from the date of the Group's receipt of payments from its customers.

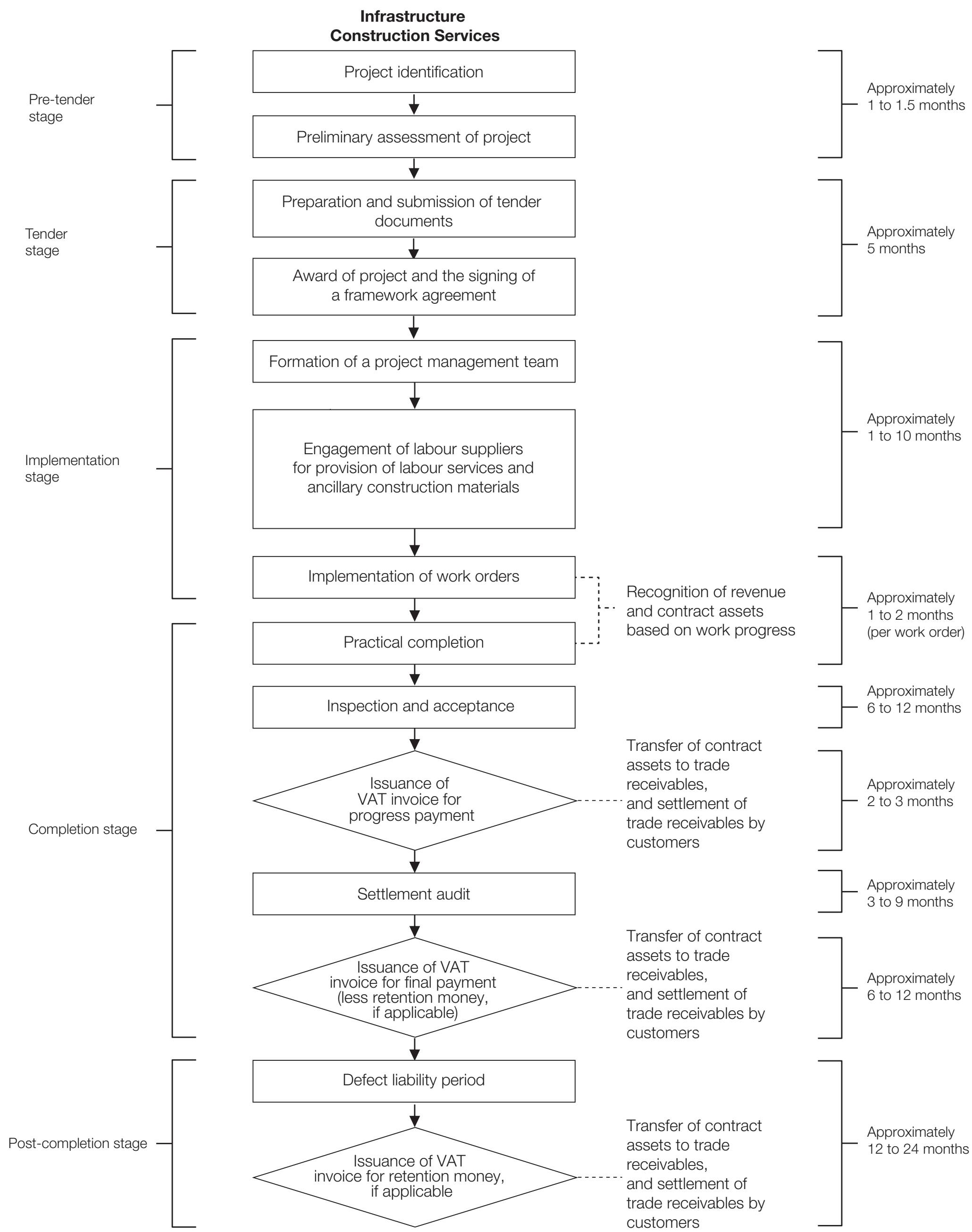
The Directors confirm that each of the Group's five largest suppliers in each year during the Track Record Period are Independent Third Parties and none of the Directors, or their close associates or any Shareholder holding more than 5% of the Company's issued share capital had any interests in any of the Group's five largest suppliers in each year during the Track Record Period. To the best knowledge of the Directors having made all reasonable enquiries, none of the Group's five largest suppliers in each year during the Track Record Period was also its customers during the Track Record Period.

OPERATION FLOW

Telecommunications Infrastructure Services

Infrastructure Construction Services

The following flowchart illustrates the principal stages of the Group's business operations which generally apply in respect of its Infrastructure Construction Services projects:



1. Pre-tender stage

Project identification

The Group's Infrastructure Construction Services projects during the Track Record Period were generally awarded by way of open tender and the Group would normally become aware of the opportunities to tender for projects through the publicly accessible websites of its customers which would make available the relevant details pertaining to the projects.

Preliminary assessment of project

Upon identifying the project which may be of relevance and interest to the Group, the Group's tendering team, which consists of project management and sales and marketing staff would conduct a preliminary assessment of the project's details to evaluate its feasibility. When assessing the feasibility of a project, the Group would typically take into account a range of factors including but not limited to the nature of the project, timing, complexity, the Group's available resources and the resources required, profitability and associated risks. As confirmed by the Directors, the timeframe typically required for project identification and preliminary assessment of the project was approximately one to one and a half months.

2. Tender stage

Preparation and submission of tender documents

If a project is assessed to be feasible, the Group's tendering team would begin preparation of the tender documents/quotations which would set out the details of the major team members, qualifications relevant to the project, project schedule and bid price, and/or a schedule of rates which contains the rates charged for ancillary construction materials and labour. In determining the bid price, the Group generally adopts a cost-plus pricing model after taking into account a range of factors including but not limited to the nature, scale, complexity and location of the relevant projects as well as the estimated ancillary construction materials and labour costs. For details regarding the other factors the Group would consider when determining its bid price, please refer to the paragraph headed "Sales and marketing – Pricing policy" in this section. Upon completion of the preparation of the tender documents, the Group's management would then review and make a final determination as to whether to proceed.

Award of project and the signing of a framework agreement

Upon reviewing the tender documents submitted, if the potential customer agrees to engage the Group, the Group would typically enter into a framework agreement with the customer. The framework agreement would set out the general work scope, price for each type of work to be carried out and the maximum or estimated contract value (assuming that all works under the framework agreement will be required to be carried out), which is typically valid for a period of one to two years. For details, please refer to the paragraphs headed "Customers" in this section. Where a framework agreement is entered into between the Group and its customer, and the customer decides to commence the works stipulated in the framework agreement, it would generally place individual work orders with the Group. However, the customer is not obligated to place work orders up to the entire maximum or estimated contract value and may reduce the work scope as needed by not placing additional work orders. In certain circumstances, instead of a framework agreement the Group would directly enter into a formal agreement with the customer that is specific to the task at hand. As confirmed by the Directors, the timeframe typically required from the preparation and submission of tender documents up to the award of project and the signing of a framework agreement was approximately five months.

3. *Implementation stage*

Formation of a project management team

In preparation for the commencement of the relevant project, the Group would establish a project management team comprising a project manager responsible for developing implementation plan, monitoring the work progress, supervising the workforce, communicating with customers, suppliers and other relevant persons, and allocating sufficient resources for project implementation. In addition, the project management team would generally include technical personnel, safety personnel and workers depending upon the complexity and scale of the overall project. As part of the Group's preparatory works, the Group may also conduct a site survey to better understand the site conditions and the tasks at hand and would devise an implementation plan to ensure that the project can be carried out as effectively and efficiently as possible. The implementation plan would typically contain certain details including but not limited to arrangements with suppliers, deployment of labour, quality control and general health and safety.

Engagement of labour suppliers for provision of labour services and ancillary construction materials

At this stage, the Group would engage labour suppliers to ensure the sufficiency of workforce when the implementation of a project commences. Typically, the Group's customers would provide the telecommunications equipment to be installed by the Group, while the Group would procure the ancillary construction materials such as cement, reinforcement steels and screws for the implementation of its projects if such materials are not provided by the labour suppliers. As confirmed by the Directors, the timeframe typically required for the formation of a project management team and the engagement of labour suppliers for provision of labour services and ancillary construction materials was approximately one to 10 months.

Implementation of work orders

Once the preparatory works have been completed, the project management team together with the labour suppliers engaged would begin carrying out the implementation plan. Throughout this phase, the Group's project management team would conduct regular inspections to ensure that the works done are carried out in accordance with the implementation plan, that the project is capable of being completed within the timeframe as required and to identify any issues or barriers which may prevent the proper execution of the implementation plan. In addition to monitoring the work progress, the Group's project management team would also monitor the costs incurred, the sufficiency of resources and the quality of works performed.

The Group has adopted a number of quality control measures to ensure that the works being carried out as well as the final deliverables are capable of meeting the strict requirements of its customers. The project management team also conducts regular on-site inspections on the progress and quality of the work completed by the Group and its labour suppliers, and arranges for remedial works if necessary. For details relating to the Group's quality control measures, please refer to the paragraphs headed "Quality control" in this section. Periodic progress meetings would also be held between the Group's management and the project management team whereby the Group's management would be briefed as to the project's status as an additional means by which to ensure that the implementation plan is being carried out properly. There may also be periodic progress meetings with the customers to inform them as to the status of the relevant project. The Group would recognise revenue and corresponding contract assets based on the work progress.

4. Completion stage

Practical completion

Depending on the nature, amount, and progress of works to be carried out, as confirmed by the Directors, the Group's project manager would typically acknowledge the practical completion of the works (including the on-site labour-intensive works required to be carried out by the labour provided by the labour suppliers) under the relevant work order or batches of work orders, upon the receipt of the practical completion report from its labour suppliers. As confirmed by the Directors, the timeframe generally required for the project implementation up to and including the practical completion in respect of a work order is approximately one to two months, which is consistent with the industry norm for work orders under projects of similar nature and scale in the PRC.

Inspection and acceptance

After all the works relating to the relevant work order or batches of work orders have been practically completed, and if no material defects are found, the Group would inform its customer about the practical completion and request for completion inspection. The customer and/or its agent, which is usually its construction supervising agent, would commence on-site inspection so as to acknowledge the works as having been practically completed. The Group will submit a comprehensive package of materials to the customer and/or its agent to facilitate the measurement of progress and completion status of the Group's projects, as well as the issuance of inspection reports. This package typically includes a work progress report indicating the project's performance progress and the documentation related to the relevant technical and construction works including but not limited to the construction work layout plan, the variation record (if any), the equipment/materials used, the implementation status and the on-site inspection record. During the on-site inspections period, the customer or its agent may notify the Group to conduct certain rectification works or to make certain modifications to the practical completion report based on the findings during the on-site inspections. After the works are considered as satisfactorily completed by the customer and/or its agent, the customer would issue an inspection report for the relevant work order. Furthermore, in practice, as confirmed by the Directors, the customer would generally perform an inspection and acceptance for a number of completed work orders jointly.

To the best knowledge of the Directors, the timeframe for completion of the inspection and acceptance is largely driven by the progress of the inspection works and other internal procedures and processes of the customer and/or its agent, and there may be a substantial time lapse of around six to 12 months from the practical completion to the completion of the inspection and acceptance.

Upon completion of the inspection and acceptance, the Group would hand over the relevant portion of the work site to its customer, prepare and issue an interim VAT invoice for the progress payment corresponding to the relevant work order, and the relevant sum of contract assets would be transferred to trade receivables accordingly.

The customer generally settles its trade debts within the credit period granted by the Group. To the best knowledge of the Directors, the timeframe for the customer's payment depends on the progress of internal approval, and the process time for payment approval generally lasted for two to three months.

Settlement audit

Together with the inspection report, the documentation related to the relevant technical and construction works including but not limited to the construction work layout plan, the variation record (if any), the equipment/materials used, the implementation status and the on-site inspection record would be presented to its customer for onward review by its internal audit team or by an external audit agent as bases for the issuance of settlement audit reports. This process is called "settlement audit", during which the audit agent will review the relevant documentation, and it would determine whether any adjustment has to be noted in the settlement audit account.

Upon completion of the settlement audit process, a settlement audit report would be issued. As confirmed by the Directors, the timeframe required for conducting the settlement audit was generally three to nine months. To the best knowledge of the Directors, depending on the scale and nature of works required, there may be a number of different construction companies/service providers involved in the same development project of the Group's customer, in which case the construction works commissioned by the Group under its Infrastructure Construction Services may only constitute a certain portion of the whole development project of its customer. In such circumstances, the Group's customer may wait until all the different aspects of works under the same development project are completed before carrying out the settlement audit processes altogether, leading to a significant time lapse between the recognition of contract assets and its transfer into trade receivables.

Further, and according to the Ipsos Report, state-owned enterprises such as the Group's customers often have lengthy internal approval processes which need to be performed before they can proceed to settlement audit or approve the final accounts.

Based on the amount set out in the abovementioned settlement audit report, the Group would prepare and issue a final VAT invoice setting out the amount of final payment (less retention money (if any)) to its customer, thereby transferring the corresponding amount of contract assets to trade receivables under the project, and its customer would arrange for payment accordingly. As confirmed by the Directors, the time interval between the completion of the settlement audit and the issuance of the final VAT invoice by the Group in general could be upwards of six to 12 months. To the best knowledge of the Directors, the timeframe for the customer's payment depends on the progress of their internal approval processes, which would normally take up to two to three months.

5. *Post-completion stage*

Defect liability period

Subsequent to the passing of the inspection and settlement audit, the defect liability period would commence, during which the Group would be responsible for rectifying any defects in relation to the works/services performed. With respect to the Group's labour suppliers, the Group would also require them to provide a back-to-back defect liability period to cover any defects arising from their works. Upon the expiry of the defect liability period, the customer or its agent may conduct additional inspections to ensure that there are no other follow up works needed, and the retention money or together with any other sums withheld would be released to the Group. Typically, the defect liability periods granted by the Group to its customers during the Track Record Period ranged from 12 to 24 months. Upon the expiry of the defect liability period, the Group would be entitled to issue a VAT invoice in respect of the retention money to its customer, thereby transferring the remaining contract assets to trade receivables. As confirmed by the Directors, during the Track Record Period, the Group did not experience any material claims by its customers in relation to the works and services provided by it.

To the best knowledge of the Directors, the average timeframe from the point of recognition of revenue and contract assets to the subsequent verification by customers is approximately 400 days.

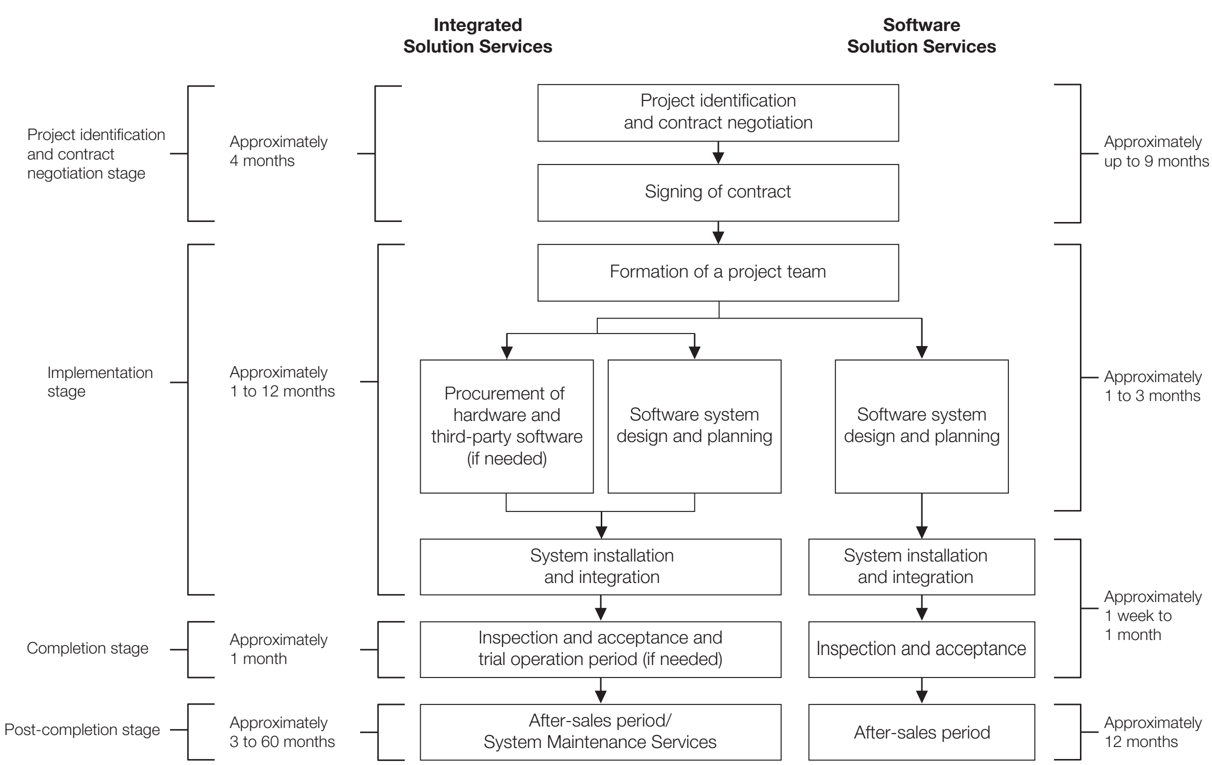
Infrastructure Maintenance Services

The principal stages of the Group's business operations in relation to its Infrastructure Maintenance Services projects were similar to that of the Infrastructure Construction Services projects. During the Track Record Period, the Group's Infrastructure Maintenance Services projects were generally awarded by way of open tender, and after a project was awarded, the Group would form a project management team which would begin preparation works including engagement of labour suppliers for the provision of labour and ancillary construction materials. Throughout the implementation stage of the project, the project management team would also supervise and ensure the basic maintenance, repairs and restoration works, etc. are properly carried out. Depending on the nature of works involved, the customer may conduct monthly reviews to assess the performance of the Group's services, and the Group would generally issue invoices to its customers on a monthly basis, and the customer would arrange payment accordingly. Typically, the term of the agreement in respect of the Infrastructure Maintenance Services would last for one to three years.

Digitalisation Solution Services

Integrated Solution Services and Software Solution Services

The following flowchart illustrates the principal stages of the Group's business operations which generally apply in respect of its Integrated Solution Services and Software Solution Services:



1. *Project identification and contract negotiation stage*

Project identification and contract negotiation

The customer would generally approach the Group to seek its Digitalisation Solution Services by way of single-source procurement or invitation to quote, and the Group would engage in preliminary discussion in order to understand the customer's needs, objectives and budget. The Group would then conduct a feasibility study to assess the nature, complexity of the works as well as the Group's available resources and the costs and profitability of the project. Further, the Group would formulate a customised plan for the customer which would detail the choice and quantity of hardware as well as the software required.

Signing of contract

Once a project has been secured, the Group and its customers would enter into a formal agreement which would incorporate the necessary details such as the contract price, implementation timeline, payment term, details of services, hardware and/or software required. As confirmed by the Directors, the timeframe typically required for project identification and contract negotiation up to the signing of a contract was approximately four months for Integrated Solution Services projects and approximately up to nine months for Software Solution Services projects.

2. *Implementation stage*

Formation of a project team

After the contract is signed, the Group would then form a project team which would primarily consist of the responsible team members who would be monitoring the implementation progress and communicating with customers, suppliers and internal staff for overall project management.

Procurement of hardware and third-party software (if needed)

For the Integrated Solution Services projects, the Group would begin procurement of the necessary hardware (such as monitors, surveillance cameras, cables, data storage systems) and third-party software systems from its hardware and software suppliers. Depending on the work scope, the Group may also require its suppliers to provide the requisite installation services.

Software system design and planning

For projects that involve provision of software (other than third-party software), the Group would review its own portfolio of core software systems to assess whether any of them can be applied or adopted for the customer's use, and if not depending on the circumstances, the Group may engage third-party programmers to assist in developing or customising new core software systems.

System installation and integration

After completion of the said preparatory stage, the project management team would begin carrying out the various steps of the implementation plan which would include matters such as arranging for the installation and integration of the hardware and software and other matters. During this stage, the Group would also maintain discussions with the customers, suppliers and/or third-party programmers regarding the system design to ensure that the architecture and interfaces satisfy the necessary requirements. Further, the Group's project management team would also conduct site visits to monitor the progress of the project and the costs incurred as well as ensure that the installation works for the necessary hardware have been carried out properly in accordance with the implementation plan.

3. Completion stage

Inspection and acceptance and trial operation period (if needed)

After completion of a stage of the project, a comprehensive package of materials will be submitted to the customer to facilitate the measurement of progress and completion status of the Group's projects, as well as the issuance of inspection reports. This package typically includes a report summarising the completion status of works specified in the contract and the documentation related to the relevant works including but not limited to the trial operation records and operation instructions. The Group's customers would inspect and acknowledge the completion of works and notify the Group of any defects which are required to be rectified (if any). For some of the Group's projects, a trial operation period would be provided to allow the customers for testing out the systems to ensure the operational efficacy of the system. The trial operation period for the Digitalisation Solution Services projects typically lasted for 30 days to six months.

When the Group has completed all the works specified in the contract, or after the expiry of the trial operation period, the customer would conduct a final inspection and issue to the Group an inspection report to confirm that the works under the agreement are completed and formally accepted. Depending on the terms of the agreement, the Group would be entitled to issue invoice for progress payment at this stage. As confirmed by the Directors, the timeframe typically required from the formation of a project team up to the completion of inspection and acceptance and trial operation period (if needed) was approximately two to 12 months for Integrated Solution Services projects and approximately one to four months for Software Solution Services projects.

4. Post-completion stage

After-sales period

The Group may be required to provide after-sales services to its customers after the completion of a project or the expiry of the trial operation period. During the after-sales period, the Group would typically be responsible to rectify any defects for the hardware and software installed by the Group to ensure the system could operate and perform the functions as anticipated. The Group may also provide remote and/or on-site technical support services to cater to the enquiries of its customer or the end user or provide software and system upgrade, if available. The after-sales period for the Group's Integrated Solution Services projects typically ranged from three to 60 months, and the after-sales period for the Group's Software Solution Services typically lasted for 12 months. Upon the expiry of the after-sales period, the customer would release the retention money to the Group.

To the best knowledge of the Directors, the average timeframe (excluding five Integrated Solution Services Projects) and the average timeframe (including five Integrated Solution Services Projects) from the point of recognition of revenue and contract assets or trade receivables to the subsequent verification by customers is approximately 340 days and 640 days, respectively. Such prolonged average timeframe for the Digitalisation Solution Services projects (including five Integrated Solution Services projects) was attributed to the extension of payment terms in relation to those five Integrated Solution Services projects in view of the temporary liquidity constraints experienced by the end users (including regulatory authorities and public institution). For details, please refer to the paragraphs headed "Financial Information – Trade and other receivables – Trade and bills receivables" in this document.

System Maintenance Services

For some of the Group's Integrated Solution Services projects, the Group would provide the System Maintenance Services to its customers, which would include commissioned technical support and maintenance services for the hardware and software systems delivered under its Integrated Solution Services projects to ensure those systems are performing properly.

During the Track Record Period, the System Maintenance Services projects undertaken by the Group lasted for approximately 48 to 60 months.

RESEARCH AND DEVELOPMENT

Digitalisation solution services industry is an industry with fast-moving market trends and technological advancements, therefore, the Group has placed great emphasis on its research and development capabilities to keep abreast of and pursue technological innovation. In recognition of the Group's research and development efforts, Zhonggan Communication and GLP Technology were initially recognised as High and New Technology Enterprise*(高新技術企業)in 2015 and 2020, respectively. Each of the qualification is valid for three years. For Zhonggan Communication, the qualification was subsequently renewed in 2018 and 2021, respectively, and for GLP Technology, the qualification was subsequently renewed in 2023. Furthermore, GLP Software qualified as a "Double-soft Enterprise" in 2023, which is valid for five years until 2028. As at the Latest Practicable Date, the Group had 82 employees in its research and development team which is led by Mr. Peng Shengqian, one of the executive Directors of the Company. For further information of the experience and credentials of Mr. Peng Shengqian, please refer to the paragraphs headed "Directors and Senior Management – Directors – Executive Directors" in this document. The majority of the Group's research and development personnel have a bachelor's degree or have received tertiary education in various fields including but not limited to computer network technology, computer science, computer communication and computer application.

During the Track Record Period, the Group had incurred research and development expenses of approximately RMB19.2 million, RMB17.7 million and RMB25.9 million, respectively, which were used for the development of various technologies and software to be deployed in the provision of its Digitalisation Solution Services business segment. Such expenses mainly comprised outsourcing fees and staff costs of the Group's research and development staff. The Directors believe that the Group's research and development efforts have largely driven the increase in significance of its Digitalisation Solution Services business segment, particularly for those involving the use of the Group's self-developed software, to the Group's operational results. The technologies developed as a result of the Group's research and development efforts were applied and/or adopted for developing the software systems required by its customers under the Group's Integrated Solution Services projects and/or Software Solution Services projects.

Key stages of research and development process

Set out below is a process chart setting out the key stages of the Group's research and development cycle:

Identification and assessment of market needs

Prior to considering the development of new technologies, the Group would generally engage in discussions with its business partners, particularly with the Big Three, in order to stay ahead of emerging market trends and technologies. Through these discussions, the Group gained insights into the needs and challenges of its business partners, which can lead to identifying new opportunities for innovation and gaining a competitive edge through anticipating the future trends. Additionally, discussing with its business partners enables the Group to gain a deeper understanding of the particular pain points and challenges that the technology aims to address. This knowledge could be used to further refine the solution and ensure that it meets the needs of its intended audience. Furthermore, by collaborating with its business partners, the Group could determine the essential features and functionalities that are required for the technology to be effective. This process helped the Group to develop a solution tailored to the specific needs of its business partners and could ensure a higher likelihood of success in the market. Due mainly to the short cycle of its Digitalisation Solution Services projects, the Group would generally develop new technologies in anticipation of future needs, as otherwise, it would lengthen the project cycle and reduce the Group's competitiveness. Further, as software is the key component in any turnkey solution, without a vast portfolio of software offerings, the Group's ability to offer relevant turnkey solutions would be highly constrained.

Identifying and defining a research scope and conducting feasibility studies

After identifying the market opportunities and/or customers' needs, the Group would generally consider the feasibility of developing the proposed technology or software system by taking into account factors including the relevant technical requirements, the complexity and innovativeness of the technology involved, the Group's in-house expertise, the available research and development workforce and resources, the development timeframe and the financial resources required. The Group may also engage external consultant to advise on the feasibility and technical requirement of the proposed development subject. Upon deciding to undertake in the development of new technology, the Group would prepare a research and development plan, which would set out the estimated resources to be deployed, including the proposed in-house research and development team composition.

Design and development

The design and development stage would generally commence with the design and planning of the software architecture including details relating to crucial functions and features, which serves as the blueprint for developing the underlying algorithms and computer coding. Depending on the complexity and number of functional modules required, the design and development stage will typically be conducted in phases. The Group would transform the potential user requirements into defined technological parameters which would be relied on by the in-house and/or third-party software programmers for undertaking the programming and coding tasks. Depending on the cost effectiveness of individual research subjects, the Group may engage external service providers including third-party software programmers to assist in the required programming and coding tasks. The Directors confirmed that, even where external service providers are engaged, the Group would be primarily responsible for the overall development, design and planning of the relevant software architecture. The ownership of any intellectual property rights generated therefrom would belong to the Group, and these third-party software programmers would also be bound by the confidentiality obligations when undertaking programming and coding tasks for the Group pursuant to the written agreement entered into with the Group.

The Group would also conduct review meetings to monitor the progress of development and may make modifications and adjustments in the software design where necessary.

Testing and commissioning

Upon completion of the design output, in order to ensure the performance of the individual software modules as well as software system meet the baseline requirements determined by the Group, the Group would conduct testing, commissioning and trial runs, which would typically include bugs fixing, functionality refinement and finetuning of the system performance based on different operating parameters. Further adjustments and modifications may also be made when necessary.

Self-developed core technologies

During the Track Record Period, the Group had applied its self-developed software for use in different digitalisation related projects focusing on various sectors, such as digital healthcare, digital government, digital industrial management, digital management, digital telecommunications construction and digital grain depots, or for customised development specifically tailored for use in various sector-specific Digitalisation Solution Services projects. Set out below are examples of the core technologies developed and adopted by the Group as part of its research and developments efforts:

Nature	Descriptions and potential applications	Examples of projects undertaken during the Track Record Period which had applied the relevant technology
A real-time video surveillance analysis technology	It deployed both cloud computing monitoring technology and data analytics for capturing real-time behavioural characteristics of the monitored subjects and conducting video analytics around the clock. Using algorithms to recognise any spatial or temporal events in video data, it provides users with instant responses as well as data report based on defined criteria. This technology could be applied to software solutions focusing on digital urban management sector.	• A digital surveillance project of Customer A in Jiangxi Province which relates to the "Public security surveillance project in Honggutan New District", i.e. a Major Project of the Group *(Note)* • A digital government project of Customer B in Jiangxi Province which relates to the "Digital city management project (phase 1 – operation) agreement in Qingshan Lake District", i.e. a Major Project of the Group *(Note)* • A digital surveillance project of Customer B in Jiangxi Province which relates to the "Digital city management project (phase 1 – surveillance system integration service) agreement", i.e. a Major Project of the Group *(Note)*
A city panorama display system	It used integrated augmented reality video linkage technology and tagging and labelling technology to create a three-dimensional monitoring system. It provides multi-facet information in one single visual display interface by linking up the management system and other third-party systems via IoT whereby users can monitor the scene with annotated information as well as spatial positioning and attitude perception. This technology could be applied to software solutions focusing on digital urban management sector.	• A digital surveillance project of Customer A in Jiangxi Province which relates to the "Public security surveillance project in Honggutan New District", i.e. a Major Project of the Group *(Note)* • A digital surveillance project of Customer B in Jiangxi Province which relates to the "Digital city management project (phase 1 – surveillance system integration service) agreement", i.e. a Major Project of the Group *(Note)*

Nature	Descriptions and potential applications	Examples of projects undertaken during the Track Record Period which had applied the relevant technology
A big data intelligent analysis technology	It could conduct trend analysis and comparison analysis functions by collecting, screening and analysing the raw data generated from different management and operational processes within a hospital setting, thereby improving the efficiency of managing the institution as well as its resources allocation. This technology could be applied to software solutions focusing on digital healthcare sector.	• A digital healthcare project of Customer B in Jiangxi Province which relates to the "Hospital intelligent informatisation engineering project in Linchuan District", i.e. a Major Project of the Group*(Note 1)* • A digital healthcare project of Customer D in Jiangxi Province which relates to a 5G distant medical consultation and visualised data platform procurement project for a public hospital
A distant medical consultation analysis technology	It actualised the multi-dimensional statistical analysis and monitoring of the information relating to number of consultations undertaken, basic information of patients, number of doctors and hospitals involved, and level of available medical resources. It facilitated the continuing supervision and refinement of the distant medical consultation services, and enhancement of the control and prevention of infectious diseases. This technology could be applied to software solutions focusing on digital healthcare sector.	• A digital healthcare project of Customer D in Jiangxi Province which relates to a 5G distant medical consultation and visualised data platform procurement project for a public hospital

Note: For further details of the Major Project, please refer to the paragraphs headed "Projects – Major Projects" in this section.

The Directors believe that these technologies developed by the Group could be applied and customised into various software systems involving cloud computing monitoring platforms, discriminative AI data analysis systems, and blockchain data security systems which have broad applications across multiple sector-specific technologies. For additional details relating to the applications of the Group's self-developed software, please refer to the paragraphs headed "Principal services and business model – Digitalisation Solution Services" in this section. With the concerted efforts of the Group's in-house research and development team, together with the third-party software programmers (if any), the Group had developed and registered over 120 software copyrights in the PRC as at the Latest Practicable Date. For details, please refer to the paragraphs headed "B. Further information about the Group's business – 2. Intellectual property rights of the Group" in Appendix V to this document. To further strengthen its research and development capabilities, the Group plans to devote additional resources (including the utilisation of **[REDACTED]** from the **[REDACTED]**) in the year ending 31 December 2024 to developing 5G-enabled digital technologies with two primary objectives: (i) broadening the applicability of sector-specific digital technologies; and (ii) developing the underlying capability of 5G-enabled cloud based technologies particularly on big data analytics and blockchain technology. For details, please refer to the paragraphs headed "Business – Business strategies" in this document.

While some of the Group's self-developed software systems deployed in its Digitalisation Solution Services projects may involve data collection including personal data, once the relevant software systems are installed by the Group accepted by the customers, the Group would generally have no access to the software systems save in the case of providing technical support or system upgrade services. As confirmed by the Directors, when accessing the software systems for the purpose of providing technical support or system upgrade services, the Group's customers would generally need to provide it with the relevant access code and the Group's customers would be able to monitor the activities of the Group and the works undertaken by the Group. As confirmed by the PRC Legal Advisers, the Group's relevant business did not involve relevant laws and regulations in the PRC regarding data protection during the Track Record Period.

LICENSES AND QUALIFICATIONS

Pursuant to the relevant laws and regulations in the PRC, the Group is required to possess certain requisite licenses, approvals and permits for conducting its business. Set out below are details of the licenses, approvals and permits held by the Group as at the Latest Practicable Date:

License/approval/permit	Qualification type/license scope	License/approval/ permit holder	Issuing authority/body	Validity period
Qualification Certificate of Construction Enterprise* (建築業企業資質證書)	First Tier Communications Project Implementation General Contracting Enterprises Qualification* (通信工程施工總承包)(Class 1)	Zhonggan Communication	Ministry of Housing and Urban-Rural Development of the People's Republic of China* (中華人民共和國住房和城鄉建設部)	9 October 2022 to 19 July 2024 *(Note)*
Qualification Certificate of Construction Enterprise* (建築業企業資質證書)	Professional contractor in electronics and intelligence engineering works* (電子與智能化工程專業承包)(Class 2)	Zhonggan Communication	Nanchang Municipal Housing and Urban-Rural Development Bureau* (南昌市住房和城鄉建設局)	2 March 2023 to 30 June 2024 *(Note)*
Qualification Certificate of Construction Enterprise* (建築業企業資質證書)	Professional contractor in urban and road lighting engineering works* (城市及道路照明工程專業承包)(Class 3)	Zhonggan Communication	Nanchang Municipal Housing and Urban-Rural Development Bureau* (南昌市住房和城鄉建設局)	2 March 2023 to 30 June 2024 *(Note)*
Qualification Certificate of Construction Enterprise* (建築業企業資質證書)	Professional contractor in environmental protection engineering works* (環保工程專業承包)(Class 3)	Zhonggan Communication	Nanchang Municipal Housing and Urban-Rural Development Bureau* (南昌市住房和城鄉建設局)	2 March 2023 to 30 June 2024 *(Note)*
Qualification Certificate of Construction Enterprise* (建築業企業資質證書)	Main contractor in power engineering works* (電力工程施工總承包)(Class 3)	Zhonggan Communication	Nanchang Municipal Housing and Urban-Rural Development Bureau* (南昌市住房和城鄉建設局)	2 March 2023 to 30 June 2024 *(Note)*
Qualification Certificate of Construction Enterprise* (建築業企業資質證書)	Professional contractor in steel structure construction works* (鋼結構工程專業承包)(Class 3)	Zhonggan Communication	Nanchang Municipal Housing and Urban-Rural Development Bureau* (南昌市住房和城鄉建設局)	2 March 2023 to 30 June 2024 *(Note)*
Qualification Certificate of Construction Enterprise* (建築業企業資質證書)	Main contractor in general construction works* (建築工程施工總承包)(Class 3)	Zhonggan Communication	Nanchang Municipal Housing and Urban-Rural Development Bureau* (南昌市住房和城鄉建設局)	2 March 2023 to 30 June 2024 *(Note)*
Qualification Certificate of Construction Enterprise* (建築業企業資質證書)	Filing of construction labour service enterprise* (施工勞務企業備案)	Zhonggan Communication	Nanchang Municipal Housing and Urban-Rural Development Bureau* (南昌市住房和城鄉建設局)	2 March 2023 to 30 June 2024 *(Note)*
Work Safety License* (安全生產許可證)	Building construction* (建築施工)	Zhonggan Communication	Department of Housing and Urban-Rural Development of Jiangxi Province* (江西省住房和城鄉建設廳)	15 March 2024 to 15 March 2027
Jiangxi Province Security Engineering Enterprise Design and Construction Maintenance Capability Certificate* (江西省安防工程企業設計施工維護能力證書).	Class 3	Zhonggan Communication	Jiangxi Province Security Technology to Guard Against Industry Association (江西省安全技術防範行業協會)	14 September 2023 to 13 September 2026

License/approval/permit	Qualification type/license scope	License/approval/ permit holder	Issuing authority/body	Validity period
Licenses for Undertaking Installation (Repair, Testing) of Electric Power Facilities* (承裝(修、試)電力設施)許可證). . .	Installation category, repair category, testing category* (承裝類、承修類、承試類) (Class 4)	Zhonggan Communication	Central China Energy Regulatory Bureau of National Energy Administration of People's Republic of China* (中華人民共和國國家能源局華中監管局)	7 August 2023 to 6 August 2029
Engineering Design Qualification Certificate* (工程設計資質證書).	Electronic communication, radio and television industry (wired communication, wireless communication)* (電子通信廣電行業(有線通信、無線通信) (Professional grade B)	Zhonggan Communication	Ministry of Housing and Urban-Rural Development of the People's Republic of China* (中華人民共和國住房和城鄉建設部)	19 August 2021 to 19 August 2026

Note: The Group plans to file application to renew these certificates well in advance of their expiration. As confirmed by the PRC Legal Advisers, there is no legal impediment for the Group to renew these certificates as long as there is no material change in the relevant laws and regulations and the Group complies with the relevant requirements.

As advised by the PRC Legal Advisers, the Group has obtained all requisite licenses, approvals and permits from the relevant governmental authorities in the PRC that are material to the Group's business and operations during the Track Record Period. Furthermore, such licenses, approvals and permits remain valid as at the Latest Practicable Date and the Group has not experienced any material difficulty in obtaining and/or renewing such licenses, approvals and permits.

INTELLECTUAL PROPERTY

The Group had registered 25 trademarks and over 120 software copyrights and obtained 14 patents in the PRC which are or may be material to the Group's business as at the Latest Practicable Date. For details of the Group's intellectual property rights, please refer to paragraph headed "B. Further information about the Group's business – 2. Intellectual Property Rights of the Group" in Appendix V to this document.

During the Track Record Period and up to the Latest Practicable Date, the Group had not received any claim against it for infringement of any intellectual property rights nor are the Directors aware of any pending or threatened claims in relation to such infringements and the Group had not made any claims against any third party with respect to the infringement of any intellectual property rights owned by it.

EMPLOYEES

The Directors consider that the employees of the Group are invaluable assets and one of the key factors to its continued success. The Group has always used its best endeavours to attract and retain the best talent and its approach is to enhance its employees' potential and contribution to the Group through providing training, competitive compensation and upward mobility opportunities. As at the Latest Practicable Date, the Group employed a total of 252 employees, all of whom are located in the PRC, and no labour union has been established. The following table sets out a breakdown of the Group's employee by function as at the Latest Practicable Date:

Function	Number of employees as at the Latest Practicable Date
Management	16
Engineering and technical	125
Research and development	82
Administration	11
Finance	9
Quality control	3
Sales and marketing	6
Total	**252**

Employee recruitment and remuneration

The Group recruits personnel from open market, mainly based on the a range of factors, including but not limited to their working experience, technical knowledge and educational background. To facilitate the recruitment of employees, the Group strives to offer competitive salaries and benefits to its employees and has policies in place to sure that the salaries and bonuses of its employees are reviewed periodically and are competitive and in line with their performances. Upon hiring of the relevant employee, the Group would enter into a standardised employment contract with him or her which sets out the principal terms of their employment, such as remuneration, duties, benefits, paid leaves and grounds for termination. In addition to their basic remuneration as set out in the employment contract, it is also the Group's policy to reward employees in the form of bonuses which are given out from time-to-time. Furthermore, in compliance with applicable statutory requirements in the PRC, the Group participates in social insurance and the housing provident schemes in the PRC. The Directors confirm that, save as disclosed in the paragraph headed "Legal proceedings and compliance" in this section, the Group was in material compliance of all applicable labour laws of the PRC during the Track Record Period and up to the Latest Practicable Date.

The Group is also an equal opportunity employer and it is the Group's policy to recruit talented employees regardless of their gender, orientation, age, ethnicity, family status and any other personal characteristics. As at the Latest Practicable Date, the Group's employees comprised 192 males and 60 females. The Directors confirm that the Group did not encounter any material difficulty in the recruitment and retention of its employees or experienced any material disruption in its operations as a result of labour disputes during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, the Group had employed dispatched supporting staff including security guards, chefs and cleaners through an employment agent. Pursuant to the labour dispatchment agreement, the Group would pay the employment agent in accordance with the number of workers dispatched and the employment agent would in turn pay wages to the dispatched workers. As advised by the PRC Legal Advisers, the Group is not responsible for making contributions for social insurance or housing provident funds for these dispatched workers under the applicable PRC laws and regulations. As at the Latest Practicable Date, the Group had employed three dispatched workers, representing less than 10% of the Group's total number of employees.

Employee training

The Group provides its new and existing employees with relevant job training from time to time which covers health and safety and operational procedures. Where there are new industry regulations or the Group adopts or amends its policies and operating guidelines which its employees are required to adhere to, it may also provide supplemental training to its employees.

Work safety

The Group's business and operations are subject to various labour and safety laws and regulations in the PRC, for details, please refer to the section headed "Regulatory Overview" in this document. The Group promotes occupational health and safety measures to ensure that it is in compliance with all applicable laws and regulations through establishing and implementing workplace safety guidelines for its employees. Pursuant to the Group's occupational health and safety measures it has formulated a series of guidelines and policies which details work safety instructions and operating procedures, and has also employed work safety officers to coordinate and manage all matters related to work safety, thereby strengthening the Group's ability to ensure a safe working environment for its employees. Moreover, when labour suppliers are involved, the Group will also require them to undertake and ensure that their workers will strictly comply with the relevant industry related standards, laws and regulations in the PRC, and to adhere with the Group's guidance and policies on work safety in the course of carrying out construction works and other tasks for the Group's projects. When accidents do occur, it is the Group's policy that it will be reported to the relevant department and handled accordingly.

As advised by the PRC Legal Advisers, the Group was materially in compliance with the relevant mandatory local and national occupational health and safety laws and regulations, and no administrative penalty had been imposed on the Group by the relevant PRC authorities in respect of non-compliance with the relevant local and national occupational health and safety laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date. There was one fatal accident involving an employee of the Group during the Track Record Period. The following table sets out the details of the accident:

Accident date	Particulars of accident	Relationship between the deceased and the Group	Status
1 June 2020	While leaving from work, the deceased sustained a collision with a vehicle and died.	The Group's employee	Settled and fully covered by insurance

The Directors confirm that, save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, the Group did not have any material accidents and fatalities involving the Group's employees, and the Group has not been subject to any material fines, public criticism or warnings in relation to any safety incidents.

INVENTORY CONTROL

The Group's inventory primarily consists of hardware and software to be used mainly in its Digitalisation Solution Services projects. Typically, the Group's project team will plan ahead for the delivery schedule and place purchase order with its hardware and software suppliers after securing a project. If the Group is responsible for the procurement of ancillary construction materials for a particular project, the Group will require its labour suppliers to provide such ancillary construction materials when placing work orders with them, who would then arrange for the delivery of the materials to the customers' storage facilities or the work sites directly. No provision has been made nor required to be made for the Group's inventory during the Track Record Period.

QUALITY CONTROL

The Group places a strong commitment towards delivering quality service and believes that such a commitment has been an essential element to its continued success as such it has established a stringent system of quality control policies and procedures for the projects undertaken by it. As at the Latest Practicable Date, the Group's quality control team comprised three employees. The Group would also assign designated project managers to monitor the quality of works in relation to its Telecommunications Infrastructure Services projects.

To ensure all works are carried out and completed in accordance with the contract requirements, the Group's project management team conducts regular meetings with customers to address their requests and concerns. The project management team also conducts regular on-site inspections on the progress and quality of the work completed by the Group and its labour suppliers and other service suppliers, arrange for remedial works if necessary and reports to the Group's management on a regular basis. To achieve consistency in the work quality, standardised construction techniques and procedures are generally adopted by the Group across its projects. Periodic trainings are also provided to the Group's employees with a view to maintaining the quality of their work.

Aside from ensuring the quality of its works, the Group's quality control policies and procedures also encompass ancillary construction materials, hardware and third-party software sourcing. If the Group is required to procure ancillary construction materials, equipment or software for its projects, it is required to source only materials, equipment and software that fulfil the contract specifications from approved suppliers or suppliers designated by its customers. Further, the materials will be inspected or tested upon delivery to ensure they comply with the contract requirements. Ancillary construction materials, hardware and software supplied by the Group's labour suppliers and hardware and software suppliers will also be inspected or tested by the Group upon delivery to ensure the contract requirements are satisfied.

In recognition of the Group's efforts in maintain effective quality control systems, its quality management system was awarded with GB/T 19001-2016/ISO 9001: 2015 certification. Further, as confirmed by the Directors, the Group did not experience any material quality issues or receive any material complaints in relation to the quality of work done and services rendered by the Group during the Track Record Period and up to the Latest Practicable Date.

AWARDS, RECOGNITIONS AND CERTIFICATIONS

Set out below are the major awards, recognitions and certifications the Group received/ possessed during the Track Record Period:

Year of issuance	Award/recognition	Awarding/authorising body
2018	High and New Technology Enterprise Certificate*(高新技術企業證書) for Zhonggan Communication	Science and Technology Department of Jiangxi Province*(江西省科學技術廳), Jiangxi Provincial Finance Department*(江西省財政廳) and Jiangxi Provincial Bureau of Local Tax of the State Taxation Administration*(國家稅務總局江西省稅務局)
2020	Certificate of Enterprise Credit Grade*(企業信用等級證書)	China International Electronic Commerce Center(中國國際電子商務中心), China National Credit Information Service Co., Ltd.(北京國富泰信用管理有限公司)
2020	Excellent Cooperation Unit for Engineering Construction in Year 2019*(2019年度工程建設優秀合作單位)	A branch office of a subsidiary of Customer A
2020	High and New Technology Enterprise Certificate*(高新技術企業證書) for GLP Technology	Science and Technology Department of Jiangxi Province*(江西省科學技術廳), Jiangxi Provincial Finance Department*(江西省財政廳) and Jiangxi Provincial Bureau of Local Tax of the State Taxation Administration*(國家稅務總局江西省稅務局)

Year of issuance	Award/recognition	Awarding/authorising body
2021	Nanchang High-Tech Industrial Development Zone – Outstanding Contribution Enterprise of the Park in Year 2020*（2020年度南昌高新技術產業開發區–園區突出貢獻企業）	Nanchang High-Tech Industrial Development Zone Management Committee of the Working Committee of Nanchang High-Tech Industrial Development Zone of the Communist Party of China*（中共南昌高新技術產業開發區工委南昌高新技術產業開發區管理委員會）
2021	High and New Technology Enterprise Certificate*（高新技術企業證書）for Zhonggan Communication	Science and Technology Department of Jiangxi Province*（江西省科學技術廳）, Jiangxi Provincial Finance Department*（江西省財政廳）and Jiangxi Provincial Bureau of Local Tax of the State Taxation Administration*（國家稅務總局江西省稅務局）
2021	SA8000: 2014 Corporate Social Responsibility Management System Certificate*（企業社會責任管理體系認證證書）	Zhongtian Hongtu International Certification Co., Ltd.*（中天鴻圖國際認證有限公司）
2022	GB/T 19001-2016/ISO 9001: 2015 Quality Management System Certificate*（質量管理體系認證證書）for security engineering construction, maintenance, communication engineering, power engineering, electronic and intelligent engineering construction	China Quality Mark Certification Group Co., Ltd.*（方圓標誌認證集團有限公司）
2022	GB/T 24001-2016/ISO 14001: 2015 Environmental Management System Certificate*（環境管理體系認證證書）for communication engineering, power engineering, electronic and intelligent engineering construction, security engineering construction, maintenance and related management activities	China Quality Mark Certification Group Co., Ltd.*（方圓標誌認證集團有限公司）
2022	GB/T 45001-2020/ISO 45001: 2018 Occupational Health and Safety Management Systems Certificate*（職業健康安全管理體系認證證書）for communication engineering, power engineering, electronic and intelligent engineering construction, security engineering construction, maintenance and related management activities	China Quality Mark Certification Group Co., Ltd.*（方圓標誌認證集團有限公司）
2023	Software Enterprise Certificate*（軟件企業證書）for GLP Software	China Software Industry Association（中國軟件行業協會）
2023	Software Product Certificate*（軟件產品證書）for GLP Software	China Software Industry Association（中國軟件行業協會)
2023	High and New Technology Enterprise Certificate*（高新技術企業證書）for GLP Technology	Science and Technology Department of Jiangxi Province*（江西省科學技術廳）, Jiangxi Provincial Finance Department*（江西省財政廳）and Jiangxi Provincial Bureau of Local Tax of the State Taxation Administration*（國家稅務總局江西省稅務局）
2023	"Specialised Small and Medium-sized Enterprise" in Jiangxi Province in 2023*（2023年江西省"專精特新"中小企業）for Zhonggan Communication	Jiangxi Provincial Industrial and Information Department*（江西省工業和信息化廳）
2023	"Specialised Small and Medium-sized Enterprise" in Jiangxi Province in 2023*（2023年江西省"專精特新"中小企業）for GLP Technology	Jiangxi Provincial Industrial and Information Department*（江西省工業和信息化廳）

MARKET COMPETITION

According to the Ipsos Report, the market value of the Telecommunications Infrastructure Services industry in the PRC grew at a CAGR of approximately 5.7% from 2019 to 2023 and is expected to grow at a CAGR of approximately 5.5% from 2024 to 2028 while the market value of the Digitalisation Solution Services industry in the PRC grew at a CAGR of approximately 12.1% from 2019 to 2023 and is also expected to grow at a CAGR of approximately 9.0% from 2024 to 2028. The continuous growth in the telecommunications infrastructure services industry and the digitalisation solution services industry in the PRC will be driven by government policies in particular The 14th Five-Year Plan for National Informatisation*(“十四五”國家信息化規劃). The 14th Five-Year Plan for National Informatisation in China is expected to have a significant impact on both the development of telecommunications infrastructure services industry and digitalisation solutions industry in the PRC. For the telecommunications infrastructure services business, the plan emphasises the need to accelerate the development of 5G networks and other advanced telecommunications technologies. This will require significant investment in the telecommunications infrastructure, including the deployment of more base stations and fiber-optic cables to support the increased demand for data transmission and communication. This will create opportunities for businesses involved in the construction, operation, and maintenance of telecommunications infrastructure. For the digitalisation solutions business, the plan emphasises the need to promote the development of smart cities and the integration of information technology with urban infrastructure. This will create opportunities for businesses involved in the design, development, and implementation of digitalisation solutions, such as sensors, data analytics, and other related technologies. The plan also emphasises the need to promote the digital transformation of traditional industries, which will increase the demand for digitalisation solutions. As more businesses adopt digital technologies, they will require solutions that integrate with their existing infrastructure and provide real-time data analysis and insights.

Despite the ample demand for Telecommunications Infrastructure Services and Digitalisation Solution Services in the PRC, multiple entry barriers prevent the rise of new market players. According to the Ipsos Report, there are multiple entry barriers in the telecommunications infrastructure services industry which include (i) a strong capital position as a typical project involves significant upfront commitment of resources and capital and as the payment process can be lengthy and delays may occur, (ii) a proven track record as market players are required to demonstrate their competence and experience in the field during the tender process and (iii) licenses that are the prerequisites for a company to participate in the projects of the key market players in the telecommunications infrastructure services industry. For the digitalisation solution services industry, the entry barriers include (i) high cost of investment to enhance technologies, develop innovative solutions, train IT talents and obtain intellectual property and (ii) talent competition for technical talents to conduct research and development of new solutions that meet users' needs. While this may be the case, the telecommunications infrastructure services industry is also highly fragmented and with approximately 353 companies that possess the First Tier Communications Project Implementation General Contracting Enterprises Qualification*(通信工程施工總承包(一級))in 2022. Similarly, the digitalisation solution services industry is also highly fragmented with top players dominating in different provinces. Accordingly, the individual strengths of the integrated service provider is paramount in determining its ability to capture business opportunities and the Directors believe that given the Group's competitive strengths which are set out in "Competitive strengths" in this section, the Group will be able to distinguish itself from its competitors and capture new business opportunities.

ENVIRONMENT, SOCIETY AND GOVERNANCE

The Board has the collective and overall responsibility for establishing, adopting and reviewing the ESG strategies and target of the Group, identifying the key performance indicators and the relevant measurements and evaluating, determining and addressing our ESG-related risks in accordance with Appendix C2 to the Listing Rules, together with other applicable recommendations from the Stock Exchange. The Board will assess, evaluate the ESG risks and review the Group's existing strategy, target and internal controls. If necessary, improvement will be implemented to mitigate the risks that are material to the Group's business operation and Shareholders from time to time. After the **[REDACTED]**, the Group will publish an ESG report annually in accordance with Appendix C2 to the Listing Rules to qualitatively and quantitatively analyse and disclose important ESG matters, risk management and the accomplishment of key performance objectively.

Environmental matters

The Group is subject to a number of environmental laws and regulations in the PRC including among others, the Law of the PRC on Environmental Protection (《中華人民共和國環境保護法》); the Law of the PRC on Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》); the Law of the PRC on Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》); the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》); and the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法》). As confirmed by the PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, the Group was in compliance all relevant environmental laws and regulations in the PRC in all material respects.

The Group's core business encompasses Telecommunications Infrastructure Services and Digitalisation Solution Services. Within Telecommunications Infrastructure Services, the Group provides Infrastructure Construction Services and Infrastructure Maintenance Services. Digitalisation Solution Services provided by the Group include Integrated Solution Services, System Maintenance Services, and Software Solution Services. Infrastructure Construction Services involve construction, adaptation, and installation works such as base station and auxiliary facilities engineering services, power grid connection services, cable installation services, access network related services and wireless network equipment installation services. These labour-intensive activities are primarily executed through labour services provided by labour suppliers and utilising equipment provided by customers, such as telecommunications and wireless devices. The laying of network cables primarily occurs within existing underground electrical conduit pathways, avoiding the need for road excavation or construction works. Infrastructure Maintenance Services primarily involve carrying out routine basic maintenance, repairs and restoration works and emergency trouble shooting to the telecommunications infrastructure located across rural and urban areas in the PRC. Digitalisation Solution Services are primarily delivered by the Group's employees, who develop customised solutions tailored to customer requirements and specific circumstances.

Given the nature of the Group's core business activities described above, it heavily relies on manpower, telecommunications equipment provided by customers and ancillary construction materials provided by labour suppliers to deliver the Group's services. Going forward, the Directors do not anticipate that the Group will need to incur any significant costs relating to compliance with any applicable environmental protection rules and regulations in the PRC.

Nevertheless, the Group recognises the importance of environment conservation and strives to minimise its environmental impact for example by encouraging its employees to use public transport where possible, reduce the use of water, use daylight where possible, use energy efficient appliances and avoid printing hard copies to the extent possible. In 2022, the Group obtained the GB/T 24001-2016/ISO 14001: 2015 (Environmental Management Systems) certification which is a testament to its efforts in promoting environmentally friendly and sustainable business practices.

ESG and climate related key performance indicators

The Group has assessed quantitative information that reflects its management of ESG-related risks, which includes greenhouse gas emission and resource consumption. Greenhouse gas emissions consists of Scope 1, Scope 2 and Scope 3 emissions. Scope 1 direct emissions include the greenhouse gas emissions from the Group's vehicles, Scope 2 indirect emissions include greenhouse gas emissions from the consumption of electricity. Scope 3 other indirect emissions include the greenhouse gas emissions from freshwater and sewage processing, paper waste disposal at landfills, and business air travel. The following table sets out an analysis of the Group's greenhouse gas emissions:

	Year ended 31 December		
Emission sources	**2021**	**2022**	**2023**
	(tonnes)	(tonnes)	(tonnes)
Scope 1 (direct emissions)	7.7	5.2	3.0
Scope 2 (indirect emissions)	397.0	393.1	385.5
Scope 3 (other indirect emissions)			
– *Paper waste disposed at landfills*	13.4	8.8	4.7
– *Electricity used for processing fresh water and sewage*	5.3	4.2	4.6
– *Business air travel by employees*	8.8	10.4	20.6

Looking ahead, the Group is committed to minimising its greenhouse gas emissions to reduce its environmental impact. To decrease direct emissions resulting from vehicle usage, the Group consistently encourages employees to utilise public transportation instead of utilising self-owned vehicles. Furthermore, the Group anticipates replacing 1 to 2 of the current gasoline and diesel vehicles with new energy vehicles by 2026, thereby reducing associated emissions. For indirect emissions, in order to reduce greenhouse gas emissions from consumption of electricity, the Group has implemented feasible measures to reduce consumption of electricity. The Group has placed signage in offices to remind employees to switch off unused appliances such as air conditioning and lighting systems. Office corridors and windows are designed to maximise natural lighting, and energy-efficient appliances are prioritised in office settings, aiming to reduce power usage from all aspects. The Group also encourages employees to utilise power-saving modes for their computers, automatically transitioning to standby mode when not in use, thus reducing electricity consumption.

Additionally, in July 2023, the Group installed a new air-conditioning control system for the office located at its headquarter in Nanchang City. This system enables centralised control over the temperature settings, allowing the Group to efficiently manage power consumption and prevent electricity wastage caused by excessively low air-conditioning temperatures. To ensure effective monitoring of electricity usage, the Group's administration team is responsible for setting the electricity consumption budget and conducting monthly comparative analyses of actual consumption against the budget. This ongoing monitoring will help the Group identify any instances of excessive electricity usage, which will be reported to the Group's management team from time to time. Furthermore, the administration team will also inspect the Group's offices regularly to identify and address any instances of excessive or wasteful electricity consumption.

Further, the Group has also implemented feasible measures to reduce other indirect emissions. To address paper waste disposal at landfills, recycling programs have been implemented by the Group, motivating employees to deposit waste paper in designated recycling bins. To decrease electricity usage in water and sewage processing, employees are encouraged to conserve water when using restroom facilities. Regular inspections of faucets by administrative staff to ensure there are no leakages causing water waste. Lastly, to reduce business air travel by employees, the Group encourages the use of video conferencing and online collaboration tools as alternatives, thereby reducing the need for physical business travel.

The Group will continue promoting resource conservation among its employees and implementing the abovementioned measures to improve and reduce greenhouse gas emissions. The Group aims to reduce its total greenhouse gas emissions consisting Scope 1, Scope 2 and Scope 3 emissions (with Scope 2 indirect emissions being the primary contributor) by 3% by the end of 2026 as compared to the emission level in 2022.

The following table sets out an analysis of the Group's resource consumption:

	Year ended 31 December		
	2021	**2022**	**2023**
Energy consumption (kilowatt)	711,936	708,443	687,508
Water consumption (cubic meter)	8,294	6,651	7,213

As previously stated, the Group actively promotes energy conservation, particularly in relation to electricity consumption. This is achieved through using signage, maximising natural lighting, prioritising energy-efficient appliances, and encouraging power-saving modes. Although fluctuations in energy consumption are inevitable with the Group's business growth and development, the Group will continue promoting the virtue of energy conservation among employees. Additionally, the Group will monitor office electricity usage consistently during operations. By implementing the aforementioned measures consistently, the Group aims to reduce energy consumption by 3% by the end of 2026 as compared to the consumption level in 2022.

In terms of reducing water consumption, as previously stated, the Group encourages employees to conserve water when using restroom facilities and conducts regular inspections of faucets to ensure there are no leakages that could result in water waste. During the Track Record Period, the Group did not encounter any material issues concerning the availability of water supply, as it is sourced from the water department of government. Looking ahead, the Group will continue to encourage employees to conserve water and minimise wastage. By implementing the aforementioned measures consistently, the Group aims to reduce water resource usage by 3% by the end of 2026 as compared to the consumption level in 2022.

After the **[REDACTED]**, the Group will continue to adhere to the relevant regulations and laws while striving to decrease its greenhouse gas emissions and resource consumption.

To effectively address environmental risks along the supply chain, the Group has implemented rigorous quality requirements and standards when selecting suppliers. For labour suppliers, strict adherence to relevant environmental standards and regulations is a mandatory criterion. Further, the Group prioritises hardware and software suppliers who have obtained recognised environmental certifications to demonstrate a strong commitment to sustainable practices and strictly requires hardware and software suppliers to comply with relevant environmental standards and regulations. Moreover, the Group emphasises transparency and information sharing to effectively manage environmental risks across the supply chain. Open communication is encouraged among suppliers regarding their environmental practices and regulatory updates. This collaborative approach fosters a collective effort towards sustainability. By promoting transparency, the Group ensures suppliers are well-informed and empowered to make environmentally responsible decisions. By prioritising suppliers that align with environmental values and promoting transparency, the Group actively manages and mitigates environmental risks.

While the business operations of the Group do not involve environmentally friendly products and services, the Group still places a strong emphasis on environmental responsibility. As mentioned above, the Group strictly requires labour suppliers and hardware and software suppliers to comply with relevant environmental standards and regulations to strive for resource conservation and reduction of greenhouse gas emissions.

Social Matters

The Group places strong emphasis on promoting diversity and treating all its employees equally with regards to their recruiting, training, promotion, professional and personal development and strive to achieve a fair workplace where all employees are treated fairly and protect them from any discrimination of gender, orientation, age, ethnicity, family status or any other personal characteristics. Further, promotion within the Group would be based solely on the employee's performance, experience and capability. For details, please refer to the paragraph headed "Employee" in this section. As for board diversity, please refer to the paragraph headed "Directors and senior management – Board diversity policy" in this document.

The Group actively evaluates existing and potential labor suppliers and hardware and software suppliers with the purpose of ensuring ethical and responsible practices throughout its supply chain. By thoroughly assessing suppliers' compliance with labour laws, safe working conditions, and non-discrimination policies, the Group aims to create a fair and inclusive workplace environment. The evaluation process also serves to mitigate social risks and promote sustainability within the supply chain. Through these assessments, the Group strives to select suppliers who uphold fair and ethical practices, aligning with its commitment to responsible business conduct.

The Group is committed to giving back to the society. In addition to maintaining a safe and sustainable operations environment, the Group actively embodies its core values of serving the social community. During the Track Record Period, the Group contributed approximately RMB0.5 million in aggregate to different governmental bodies and charitable foundations in the PRC as donations to support various poverty relief activities and rural revitalisation projects and as sponsorships for students from low-income families. Furthermore, in August 2022, the Group participated in a voluntary activity organised by the local government in celebration and recognition of the contributions of the local firefighters, during which the Group's representatives delivered daily supplies to the local firefighters as a gesture of appreciation and support. The Group will continue to devote resources to various educational, cultural and social welfare charitable initiatives, demonstrating its commitment to being a responsible corporate.

INSURANCE

During the Track Record Period, the Group maintained insurance that covered property, motor vehicle and workers compensation. However, the Group did not obtain any business interruption or litigation insurance policies, which are not mandatory according to the laws and regulations of the PRC. The Directors consider that the existing insurance coverage is in line with industry norms and is sufficient for the Group's present operations. As confirmed by the PRC Legal Advisers, save for the failure of Zhonggan Communication, the Shanghai and Guizhou branch offices of Zhonggan Communications and GLP Technology to make full contribution to the social insurance and housing provident funds for some of its employees as disclosed in the paragraph headed "Legal proceedings and compliance" in this section, the Group had duly maintained all insurance policies in compliance with the relevant PRC laws and regulations. Please refer to the section headed "Risk Factors – Risks relating to the Group's business – The Group's insurance coverage may not be sufficient to cover all losses or potential claims which would affect the Group's business, financial condition and results of operations" in this document for more details. Save for the fatal incident as disclosed in the paragraph headed "Employees – Work safety" in this section, the Directors confirm that during the Track Record Period and up to the Latest Practicable Date, no material claims had been made against the Group's insurance policies.

For the years ended 31 December 2021, 2022 and 2023, the Groups' insurance expenses (excluding social insurance and housing provident fund contributions) were approximately RMB351,000, RMB327,000 and RMB227,000, respectively.

PROPERTIES

Owned Property

The Group, through GLP Technology, owns 28 units located at No.2301-2328, 23/F, 2# Office Building, Landmark Commercial Plaza, No.169 Qianhu Avenue, Honggutan New District, Nanchang City, Jiangxi Province, the PRC. The total gross floor area of these units is 1371.08 sq.m. As at the Latest Practicable Date, the Group has obtained the valid ownership certificates for the units. The Group is intended to use the units as offices.

The Group, through Zhonggan Communication, owned one building located at Block 99, 2799 Tianxiang Avenue, Nanchang Jiahai Industrial Park, Nanchang High-tech Industrial Development Zone, Nanchang City, Jiangxi Province, the PRC. The gross floor area of this building is 12,569.06 sq.m.. As at the Latest Practicable Date, the Group has obtained the valid building ownership certificate for the building issued by the Nanchang City Real Estate Registration Bureau (南昌市不動產登記局). While the approved use of the owned property is industrial, the actual uses of the property were for ancillary uses with integrated functions of training and hospitality. According to the relevant PRC laws and regulations, Zhonggan Communication might be ordered to rectify the unapproved use of the owned property by the competent authorities and if it fails to rectify within a prescribed period, Zhonggan Communication may be subject to a maximum potential penalty of RMB200,000. As advised by the PRC Legal Advisers, given that (i) the abovementioned actual uses of the Group's owned property were approved in the work conferences of the Office of the Management Committee of the Chinese Communist Party Working Committee of Nanchang High-Tech Zone* (南昌高新區黨工委管委會辦公室)(the "**Nanchang High-Tech Zone Management Committee**") in November 2017 and May 2021, respectively, and (ii) the Group has obtained the written confirmation letters dated 16 March 2023 and 25 January 2024 from the High-tech Branch of the Nanchang Natural Resources and Planning Bureau (the "**Bureau**"), which is a competent authority, confirming that Zhonggan Communication were not penalised by the Bureau from 1 January 2020 to 25 January 2024, and (iii) the Group has also obtained a written confirmation dated 1 February 2024 from the Management Committee of the Urban and Rural Construction Bureau of Nanchang High-tech Industrial Development Zone (南昌高新技術產業開發區管理委員會城鄉建設局), which is a competent authority, confirming that Zhonggan Communication was not in violation of the relevant laws and regulations relating to housing construction, the risk of Zhonggan Communication being fined for the non-compliance with the approved use of the self-owned property is remote. Further, the Controlling Shareholders have undertaken to fully indemnity the Group all claims, losses, liabilities, damages, costs, charges, fees, expenses and fines incurred by the Group as a result of such non-compliance.

Zhonggan Communication has entered into five lease agreements to lease out part of its self-owned property. Among the five lease agreements, four were entered into with its subsidiaries namely GLP Technology, GLP Software, Gantong Jiangxi and Jiangxi Zhongge, and the remaining one was entered into with an Independent Third Party. As confirmed by the PRC Legal Advisers, the abovementioned lease agreements are in compliance with the relevant laws and regulations.

Pursuant to Rules 5.01A(1) and 5.01B(1) of the Listing Rules, if the carrying amount (as defined in Rule 5.01(1) of the Listing Rules) of a property interest (as defined in Rule 5.01(3) of the Listing Rules) that forms part of property activities (as defined in Rule 5.01(2) of the Listing Rules) is or is above 1% of its total assets (as defined in Rule 5.01(4) of the Listing Rules), the document must include the full text of a valuation report for such property interest. As at 31 December 2023, being the date of which the most recent audited consolidated statements of the financial position of the Group, the carrying amount of its property interest that formed part of its property activities was or was above 1% of its total assets. Thus, a property valuation report in respect of the Group's owned property is included in this document. For further details of the Group's owned property, please refer to the property valuation report issued by HG Appraisal & Consulting Limited, the text of which is set out in Appendix III to this document.

Leased Properties

As at the Latest Practicable Date, the Group leased four properties in the PRC with an aggregated lease area of approximately 2,512 sq.m. for use primarily as offices. All leased properties are leased from Independent Third Parties.

Failure to file lease agreements with the local housing administration authorities

The lease agreement of one of the abovementioned leased properties had not been filed with the local housing administration authorities by the Group and the lessor jointly during the Track Record Period as required under the applicable PRC law, primarily due to the handling personnel, who was responsible for property leasing of the Group, being unfamiliar with the relevant regulatory requirements. As advised by the PRC Legal Advisers, failure to file the lease agreement would not affect the validity of such lease agreement. According to the relevant PRC laws and regulations, the Group might be ordered to rectify this failure by the competent authorities and if it fails to rectify within a prescribed period, a penalty of RMB1,000 to RMB10,000 per agreement may be imposed on it as a result. As such, the estimated maximum potential penalties that might be imposed on Zhonggan Communication, in the absence of rectification, would amount to RMB10,000 for the above non-filing incident. Upon discovery of such non-filing incident, the Group took immediate action to rectify the situation by promptly completing the required filing with the local housing administration authority. As confirmed by the PRC Legal Advisers, the filing of the lease agreement has been properly completed as at the Latest Practicable Date.

As at the Latest Practicable Date, the Group had not received any notice from the relevant regulatory authority with respect to potential administrative penalties or enforcement actions as a result of its prior failure to file the lease agreements described above. Meanwhile, as at the Latest Practicable Date, the filings of these two lease agreements have been properly completed. Based on the above, the PRC Legal Advisers, are of the view that the risk of the Group being fined is remote. Further, the Controlling Shareholders have undertaken to fully indemnify the Group all claims, losses, liabilities, damages, costs, charges, fees, and expenses incurred by the Group as a result of such non-compliance.

LEGAL PROCEEDINGS AND COMPLIANCE

As at the Latest Practicable Date, the Group was not engaged in any material litigation, arbitration or claim and as confirmed by the Directors no material litigation, arbitration or claim is pending or threatened by or against the Group that would have a material adverse effect on its results of operations or financial condition. The Directors confirm that the Group had not been involved in any non-compliance matters which had or may have a material adverse effect on its results of operations or financial conditions during the Track Record Period and up to the Latest Practicable Date, save for the following:

Financing Arrangement

Details of non-compliance

In 2019 and 2020, Zhonggan Communication entered into 11 bank loan agreements for procurement purpose with the Jiangxi Provincial Branch of Bank of Communications Co., Limited and Nanchang Xihu Branch of China Construction Bank Corporation (collectively the "**Lending Banks**"), respectively. According to these agreements, the Lending Banks were directed to release loans in Scenario 1 and Scenario 2 discussed below (collectively the "**Financing Arrangement**"). Pursuant to the relevant bank loan agreements, the terms included a loan term of one year, an interest rate linked to the China Loan Prime Rate set by the People's Bank of China plus an additional basis point determined by the Lending Banks, and a repayment structure which provided for repayment of the principal at the end of the loan term, with monthly interest payments. The Directors are of the view that the relevant bank loan agreements were entered into on normal commercial terms taking into account that the comparability of the terms with other bank loans of similar size prevailing during the relevant period.

The Financing Arrangement involved Channeling Party A and Channeling Party B. As confirmed by the Directors, both Channeling Party A and Channeling Party B do not have any past or present relationship (including family, employment, business and financing) with Zhonggan Communication or its subsidiaries, their shareholders, directors or senior management, or any of their respective associates, apart from the Financing Arrangement. Details of these two scenarios are set out as follows:

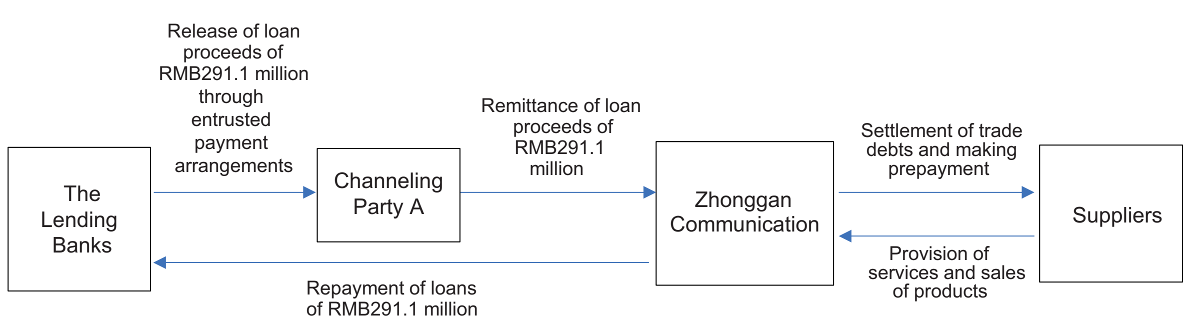
Scenario 1

Channeling Party A, a private company established in March 2016 and based in Jiangxi Province with a registered share capital of RMB5.0 million, was principally engaged in the provision of labour services. Channeling Party A was deregistered in 25 August 2021. Before its deregistration, Channeling Party A provided labour services to telecommunications infrastructure construction companies. The sole shareholder of Channeling Party A, an Independent Third Party, maintained a longstanding personal relationship with the Controlling Shareholder, Mr. Liu Haoqiong. Mr. Liu Haoqiong has been in a friendly relationship with the sole shareholder of Channeling Party A for many years. In 2019, with the aim of diversifying the Group's supplier selection, Zhonggan Communication started collaboration with Channeling Party A by engaging them as a labour supplier for the Group's Telecommunications Infrastructure Services business segment.

In the same year, the Group was awarded contracts for several Telecommunications Infrastructure Services projects. Subsequently, Zhonggan Communication and Channeling Party A entered into several procurement agreements relating to the provision of labour services for these projects. In order to bolster Zhonggan Communication's liquidity for executing these projects, Zhonggan Communication applied to the Lending Banks for bank loans based on the procurement agreements with Channeling Party A. Consequently, the Lending Banks released the loan proceeds to Channeling Party A through entrusted payment arrangements. The expected contract sum of labour services to be procured by the Group from Channeling Party A as stipulated in the relevant procurement agreements was approximately RMB292.0 million. The amount of which was larger than the loan proceeds obtained from the Lending Bank through entrusted payment in the amount of approximately RMB291.1 million. At that time, the Group recorded the loan proceeds held by Channeling Party A as a prepayment in its financial statements. Due to financial resources management purposes, Channeling Party A transferred back the loan proceeds to Zhonggan Communication, and Zhonggan Communication would then apply the proceeds to settle its trade payables to Channeling Party A as they became due. Upon remittance of the loan proceeds by Channeling Party A to Zhonggan Communication, the prepayment was credited, and cash and cash equivalents were debited by Zhonggan Communication in its financial statements.

However, due to the outbreak of the COVID-19 pandemic in the PRC, the customers did not place any work order in relation to the projects and therefore Zhonggan Communication did not in turn place work orders to Channeling Party A accordingly. Subsequently, Channeling Party A decided to cease its operations due to economic uncertainty within the PRC. Consequently, there was no underlying transactions between Zhonggan Communication and Channeling Party A as basis for payment by the Lending Banks to Channeling Party A. The loan proceeds were used by Zhonggan Communication for its day-to-day operations, including settlement of trade debts, prepayment, and working capital. Pursuant to Article 19 of the General Lending Provisions (《貸款通則》) promulgated by the People's Bank of China and the Article 9 of the Interim Measures for the Administration of Working Capital Loans (《流動資金貸款管理暫行辦法》), the borrower shall apply the loan in accordance with the stipulated purpose of the loan agreement. As there was no underlying transaction between Zhonggan Communication and Channeling Party A to support payment by the Lending Banks to Channeling Party A, as advised by the PRC Legal Adviser, the Financing Arrangement did not comply with the relevant loan agreements and the PRC laws and regulations. Further details are set out in the paragraph below headed "Opinions of the PRC Legal Advisers" in this section.

The following chart illustrates the fund flow of scenario 1:



Note: There was no significant time lag between the release of loan proceeds from the Lending Banks to Channeling Party A and the remittance of the loan proceeds from Channeling Party A to Zhonggan Communication.

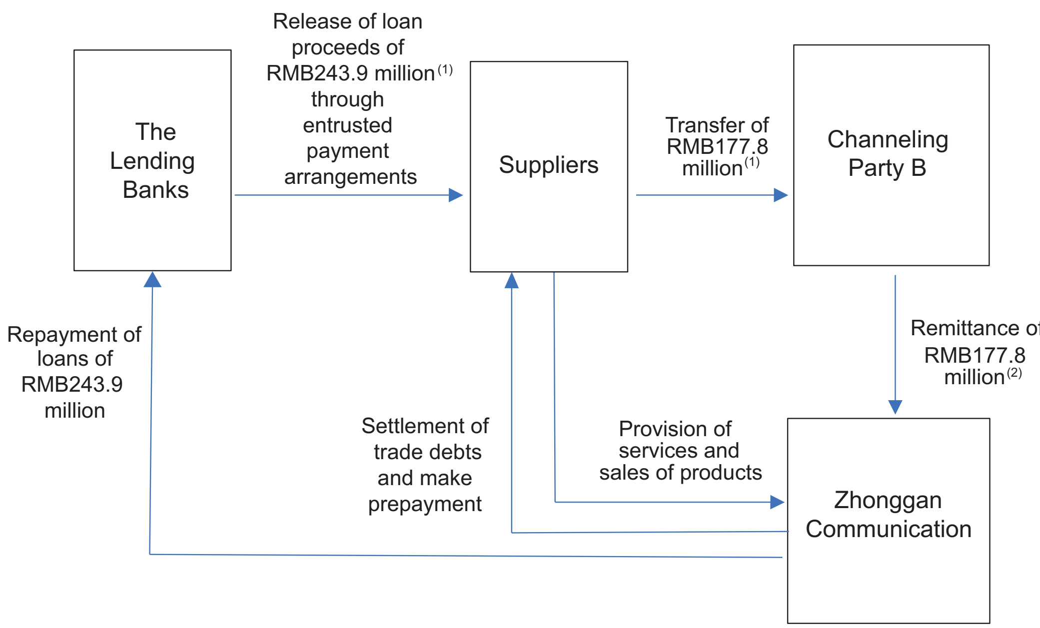
The Directors confirm that (i) they had no intention to commit the aforementioned non-compliance under the Financing Arrangement in relation to Channeling Party A, and (ii) the non-compliance was solely attributable to the fact that they were unaware that such arrangement with Channeling Party A was in breach of the relevant PRC laws and regulations until they were adequately advised by professionals on matters pertaining to the Financing Arrangement.

Scenario 2

Channeling Party B, a state-owned enterprise in Jiangxi Province with a registered share capital of RMB5,000 million, is principally engaged in the provision of financial leasing, commercial factoring and supply chain management, etc. In 2019 and 2020, Zhonggan Communication and certain suppliers, who has incurred a significant procurement cost and/or had relatively long business relationship with Zhonggan Communication, entered into several procurement agreements related to the provision of labour services for the Telecommunications Infrastructure Services projects. As for the amount of procurement costs for each of the years comprising the Track Record Period of the suppliers, please refer to the paragraphs headed "Business – Suppliers – Five largest suppliers" in this Document regarding transaction amount of the Supplier A, B and C. In order to bolster Zhonggan Communication's liquidity for executing these projects, Zhonggan Communication applied to the Lending Banks for bank loans based on the procurement agreements with the suppliers entered into in 2019 and 2020 with aggregated amount of approximately RMB254.0 million served as a basis for the Group's applications for entrusted loans with approximately RMB243.9 million. Consequently, the Lending Banks released the loan proceeds to the suppliers through entrusted payment arrangements. Due to financial resource management considerations of Zhonggan Communication, the suppliers transferred the loan proceeds back to Zhonggan Communication. Zhonggan Communication then used the loan proceeds to settle its trade payables to the suppliers. At that time, the management of Zhonggan Communication received compliance training from professionals for the preparation of the previous A-share listing plan. However, there was a misunderstanding regarding the relevant laws and regulations in the PRC. In particular, the management mistakenly believed that it was illegal for the suppliers to remit loan proceeds directly to Zhonggan Communication. In an earnest attempt to ensure compliance, Zhonggan Communication mistakenly instructed the suppliers to transfer the loan proceeds to Channeling Party B which then facilitated the transfer of funds back to Zhonggan Communication. At the time, Zhonggan Communication genuinely believed that this arrangement complied with applicable laws and regulations. When the loan proceeds were held by Channeling Party B, the other receivables was debited by the Group in its financial statements, subsequently Channeling Party B transferred back the loan proceeds to Zhonggan Communication, the other receivables was credited and cash and cash equivalents were debited by Zhonggan Communication in its financial statements.

Pursuant to Article 19 of the General Lending Provisions (《貸款通則》) promulgated by the People's Bank of China and Article 9 of the Interim Measures for the Administration of Working Capital Loans (《流動資金貸款管理暫行辦法》), the borrower shall apply the loan in accordance with the stipulated purpose of the loan agreement. As advised by the PRC Legal Adviser, since the loan proceeds were transferred to Channeling Party B without any underlying transactions between Zhonggan Communication and Channeling Party B to support the bank loans, the Financing Arrangement was considered to be non-compliant with the relevant loan agreements and the laws and regulations of the PRC. This non-compliance persisted even if the loan proceeds were subsequently used to settle the trade debts owed to the suppliers as stated in the loan agreements. Further details are set out in the paragraph below headed "Opinions of the PRC Legal Advisers" in this section.

The following chart illustrates the fund flow of scenario 2:



Notes:

1. The Group's suppliers received loan proceeds of approximately RMB243.9 million from the Lending Banks through entrusted payment arrangement for the period from July 2019 to December 2020. Out of this amount, RMB177.8 million was related to the Financing Arrangement, while the remaining RMB66.0 million was used by Zhonggan Communication to pay for labor services.

   Of the RMB177.8 million, there was no significant time lag between the release of the loan proceeds of approximately RMB135.0 million from the Lending Banks to the suppliers and the transfer of the funds from the suppliers to Channeling Party B. For the remaining approximately RMB42.8 million, there was a significant time lag of nine to 15 months between the release of loan proceeds to the suppliers and the transfer of funds to Channeling Party B. As confirmed by the Directors, the significant time lag was primarily caused by a lack of effective internal control, resulting in inadequate communication between the Group's project managers and finance department. This resulted in a significant gap in information exchange, leading to notable discrepancies between the reported progress of the projects and the advanced payments made for them. Therefore, the finance department failed to recognise that several Group's projects had encountered delays, and as a result, the excess funds made for these projects remained with the suppliers, resulting in a failure to reconcile the amounts involved. In 2020, as part of the preparation for the previous plan for A-share listing, the Group conducted a thorough internal control review. During this review, the issue was identified and promptly addressed, and the Group took proactive measures to reclaim the excess fund from the suppliers. However, due to the suppliers' procedural requirements, additional processing time was necessary to facilitate the refunds. This further contributed to the delays in the refund process, ultimately extending the overall project timeline setback. For details, please refer to paragraphs headed "Internal control measures" in this section.

2. There was no significant time lag between the receipt of funds by Channeling Party B from the Group's suppliers and transfer of the same amount by Channeling Party B to Zhonggan Communication.

Channeling Party B offered support for the fund transfer primarily based on two factors. Firstly, there existed a long-standing friendly relationship between a senior executive of Channeling Party B and the Controlling Shareholder, Mr. Liu Haoqiong. Secondly, Channeling Party B assessed that there were no potential legal risks associated with the fund transfer. As confirmed by the PRC Legal Advisers, (i) Channeling Party B did not violate Article 19 of the General Lending Provision (《貸款通則》) promulgated by the People's Bank of China and the Article 9 of the Interim Measures for the Administration of Working Capital Loans (《流動資金貸款管理暫行辦法》) as Channeling Party B was neither the lender nor the borrower as stated in the loan agreements and; (ii) Channeling Party B did not violate any other rules and legislations in the PRC in relation to the Financing Arrangement. As confirmed by Channeling Party B and the Directors, Channeling Party B did not (i) obtain any benefits from Zhonggan Communication as a result of the Financing Arrangement and (ii) have no other fund transaction or special interest arrangement with the Company or its subsidiaries and its actual controllers, shareholders, directors, supervisors, senior management, core technical personnel or any of their respective associates, apart from the Financing Arrangement.

The Directors confirm that they had no intention to commit the aforementioned non-compliance under the Financing Arrangement in relation to Channeling Party B. The Directors considered that the occurrence of the Financing Arrangement was solely attributable to the lack of awareness among senior management regarding its non-compliance with the applicable laws and regulations of the PRC. As above mentioned, due to a mistaken belief by the Directors that direct remittance to Zhonggan Communication was illegal, the Channeling Party B was involved to support the transfer of loan proceeds to Suppliers, resulting in a non-compliant Financing Arrangement. It was only subsequent to receiving sufficient advice from professionals on matters relating to the Financing Arrangement that they became aware of its non-compliant nature.

For the year ended 31 December 2020, the amount involved in the Financing Arrangement was RMB468,960,000, consisting of approximately RMB291,120,000 and RMB177,840,000, respectively, as shown in the fund flow charts above. After December 2020, the Financing Arrangement ceased. Besides, the outstanding amount of bank loans was fully settled in September 2021.

Reasons for the non-compliance

The Financing Arrangement occurred primarily because of (i) administrative convenience by maintaining readily available funds, saving time and administrative burden to obtain a bank loan for each transaction Zhonggan Communication made with its supplier in its daily operation and (ii) inadvertent oversight of the relevant PRC laws and regulations of some of its employees and the Directors.

Impact on operational and financial position

The Directors considered, the Sole Sponsor concurred, that the Financing Arrangement has not had a material adverse impact on the Group's operational and financial condition. Their view is supported by the following factors:

(i) the loans under the Financing Arrangement were fully settled in September 2021 and no interest expenses were saved as a result of the Financing Arrangement, as the bank loans under the Financing Arrangement bore interest rates comparable to other bank loans of similar size prevailing at the time;

(ii) the Lending Banks confirmed that Zhonggan Communication's credit worthiness has not been affected by the Financing Arrangement, Zhonggan Communication has continued to cooperate with the Lending Banks and has successfully obtained loans from the Lending Banks since the termination of the Financing Arrangement after December 2020. As at 31 December 2023, the loans granted to Zhonggan Communication from the Nanchang Xihu Branch of China Construction Bank Corporation amounted to approximately RMB127 million. As at 31 December 2023, the loans granted to Zhonggan Communication from the Jiangxi Provincial Branch of Bank of Communications Co., Limited amounted to approximately RMB140 million; and

(iii) the PRC Legal Advisers advised that the risk of Zhonggan Communication being penalised for the Financing Arrangement by the regulatory authorities and being subject to civil liabilities arising from civil claims from the Lending Banks is remote. Further details of which are set out in the paragraph below headed "Opinions of the PRC Legal Advisers" in this section.

Confirmation from the Lending Banks

The Zhonggan Communication reported the Financing Arrangement to the Lending Banks, in response, they confirmed that since 1 January 2019 (i) the loan proceeds have been applied in accordance with the relevant loan agreements; (ii) there is neither illegal use of the funds nor violation of the relevant loan agreements; and (iii) Zhonggan Communication's credit worthiness has not been affected by the Financing Arrangement.

Confirmation from the regulatory authorities

On 6 June 2022, Zhonggan Communication submitted the "Application of Zhonggan Communication (Group) Holdings Limited for Coordination with the People's Bank of China on Matters Relating to Listing" *(《中贛通信(集團)有限公司關於協調人民銀行對上市有關懇請事項的申請》)(the "**Coordination Letter**") to the Office of the Joint Conference on Listing of Enterprises in Jiangxi Province*(江西省企業上市工作聯席會議辦公室) and the Nanchang Municipal Finance Office(南昌市金融工作辦公室)(collectively referred to as the "**Municipal Finance Offices**"') to report the Financing Arrangement. The Coordination Letter was delivered by the Municipal Finance Offices to the Nanchang Central Sub-branch of the People's Bank of China ("**PBOC**") and the Jiangxi Office of China Banking and Insurance Regulatory Commission ("**CBIRC**"). In response, PBOC confirmed on 20 June 2022, 8 March 2023 and 11 March 2024, respectively that no administrative penalties have been imposed on Zhonggan Communication by the PBOC from 1 January 2019 to 20 June 2022 and from 1 January 2020 to 7 March 2023 and from 1 January 2019 to 11 March 2024 as a result of any violation of laws or regulations by Zhonggan Communication. In addition, CBIRC replied on 29 June 2022 that any administrative penalties imposed by CBIRC would be published on their website and no confirmation as to whether any administrative penalty has been imposed would be issued. As such, the PRC Legal Advisers conducted searches on the websites of CBIRC on 5 August 2022, 3 March 2023 and 20 March 2024 in relation to whether any administrative penalty has been imposed on the Zhonggan Communication, its subsidiaries and the Lending Banks for the Financing Arrangement. According to the search results, no such record has been found since 1 January 2019. In addition, CBIRC confirmed in an interview on 19 September 2023 that since 1 January 2019 (i) it was aware of the Financing Arrangement; (ii) Zhonggan Communication did not commit any material violation of laws and regulations in the banking industry during the Track Record Period; and (iii) no administrative penalties had been imposed on Zhonggan Communication and the Lending Banks as a result of the Financing Arrangement; and (iv) Zhonggan Communication and the Lending Banks will not be held accountable in the future as a result of the Financing Arrangement. On 11 March 2024, PBOC further provided a confirmation to confirm that (i) no administrative penalties had been imposed on Zhonggan Communication and the Lending Banks as a result of the Financing Arrangement; and (ii) Zhonggan Communication and the Lending Banks will not be held accountable in the future as a result of the Financing Arrangement.

As advised by the PRC Legal Advisers, CBIRC is the regulatory authority responsible for the supervision and regulation of banking institutions of the PRC and it is empowered to impose penalties on banking institutions which are in breach of relevant laws and regulations. On the other hand, the PBOC is the regulatory authority responsible for monitoring lending activities of banking institutions in the PRC.

Opinions of the PRC Legal Advisers

As advised by the PRC Legal Advisers, pursuant to Article 19 of the General Lending Provisions (《貸款通則》) promulgated by the PBOC and Article 9 of the Interim Measures for the Administration of Working Capital Loans (《流動資金貸款管理暫行辦法》), the borrower shall apply the loan proceeds in accordance with the stipulated purpose stated in the loan agreement. As it is considered that there is no underlying transactions between Zhonggan Communication and Channeling Party A and Channeling Party B as basis for the use of bank loans granted by the Lending Banks, the Financing Arrangement did not comply with the terms of the relevant loan agreements and the PRC laws and regulations.

The PRC Legal Advisers are of the view that the risk of Zhonggan Communication being penalised for the Financing Arrangement by the regulatory authorities and being subject to civil liabilities arising from civil claims from the Lending Banks is remote for the following reasons:

(i) the loans involved were used to pay for engineering, labour procurement and other daily business operations. They were not used for securities investment, equity investment or real estate investment. The loans were not used in prohibited areas or for purposes restricted by the state from production and operation. Furthermore, the loans were not re-lent to obtain illegal income;

(ii) the loans involved were not fraudulent loans for the purpose of illegal possession, and the Financing Arrangement did not jeopardise the rights and interests of state financial institutions and financial security;

(iii) the principal and interest of such loans had been fully settled in accordance with the provisions of the loan agreements and did not cause losses to the relevant Lending Banks, and no penalties were imposed on the Lending Banks by the relevant regulatory authorities during the Track Record Period;

(iv) Zhonggan Communication has reported the Financing Arrangement to the Lending Banks and obtained confirmations from them to the effect that (a) the loan proceeds have been applied in accordance with the relevant loan agreements; (b) there is neither illegal use of the funds nor violation of the relevant loan agreements; and (c) Zhonggan Communication's credit worthiness has not been affected by the non-compliance;

(v) Zhonggan Communication has reported the Financing Arrangement to Nanchang Central Sub-branch of PBOC and CBIRC, both of which are regulatory authorities. PBOC confirmed that no administrative penalties have been imposed on Zhonggan Communication since 1 January 2019, and CBIRC confirmed its awareness of the Financing Arrangement and also confirmed that Zhonggan Communication did not violate significant banking industry laws or regulations. No administrative penalties were imposed on the Lending Banks and no administrative penalties will be imposed in the future on Zhonggan Communication and the Lending Banks as a result of the Financial Arrangement as confirmed by PBOC and CBIRC;

(vi) the Financing Arrangement did not constitute subjective malicious conduct, and Zhonggan Communication has actively rectified the relevant irregular conduct. It has also established and effectively implemented a targeted internal control system;

(vii) Zhonggan Communication would also be indemnified by the controlling shareholders if it is ordered by the Lending Banks or relevant regulatory authorities to pay penalties; and

(viii) the Directors and Channeling Party A and Channeling Party B confirmed that the Directors and senior management of the Group did not obtained any personal interest from the Financing Arrangement.

Internal control measures

To prevent reoccurrence of the non-compliant incident, the Group has adopted the following major internal control measures:

(i) implementation of internal guidelines and policies for

(a) approving, reporting and monitoring financing activities, and

(b) prohibiting transactional financing activities without underlying transactions;

(ii) the Group's head of finance department shall review regularly all applications for financing activities together with the relevant underlying transactional agreements and assess the genuineness of the information contained in the application, and the application must then be approved by the chairman of the Board;

(iii) the chairman of the Board, the chief executive and the chief financial officer will review the summary of the transactional financing activities on a monthly basis to ensure that the financing activities were conducted in compliance with internal guidelines and policies;

(iv) the accounting staff shall perform ongoing monitoring of the loan proceeds' utilisation. They are also required to verify the reasons for any return of loan proceeds from suppliers to Zhonggan Communication and cross-check with the corresponding procurement documents; and

(v) to strengthen internal supervision, the Group's audit department will closely monitor and review financing activities continuously to ensure that the Group's internal control measures are properly carried out.

During the process of preparing for the **[REDACTED]**, Zhonggan Communication had engaged internal control consultants to perform internal control review of its business procedure. As advised by the internal control consultants, no material deficiency has been identified during the follow-up review in the enhanced internal control system in relation to the financing activities.

In order to prevent reoccurence of the non-compliant incident, a training has also been provided by the PRC Legal Advisers to the Directors and the senior management covering areas including an introduction to non-compliant financing activities, the relevant PRC laws and regulations and the associated risks.

Given that (i) the non-compliant incident occurred mainly due to the Directors' misunderstanding of the relevant PRC laws and regulations until they were adequately advised by professionals on matters pertaining to the Financing Arrangement; (ii) the PRC Legal Advisers are of the view that the risk of Zhonggan Communication being penalised for the Financing Arrangement by the regulatory authorities and being subject to civil liabilities arising from civil claims from the Lending Banks is remote; (iii) the training provided to the Directors and senior management of the Group by the PRC Legal Advisers; (iv) the cessation of the Financing Arrangement since December 2020; and (v) the Group has adopted the abovementioned major internal control measures to prevent reoccurrence of the non-compliant incident, the Directors and the Sole Sponsor are of the view that the Financing Arrangement do not affect the Directors' suitability to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules or the Group's suitability for **[REDACTED]** under Rule 8.04 of the Listing Rules.

Social Insurance Contributions

Details of non-compliance

During the Track Record Period,

(i) Zhonggan Communication did not make social insurance contributions for some of its employees as required under PRC laws and regulations.

(ii) Zhonggan Communication, its Shanghai and Guizhou Province branch offices, and GLP Technology did not make full social insurance contribution based on the respective employee's actual salary level for its employees as required under PRC laws and regulations.

The aggregate underpaid social insurance contributions for the years ended 31 December 2021, 2022 and 2023 amounted to approximately RMB660,000, RMB140,000 and RMB210,000, respectively.

Reasons for the non-compliance

These non-compliance incidents occurred primarily because of (i) inadvertent oversight of the relevant PRC laws and regulations; and (ii) some of its employees chose not to be enrolled in the social insurance fund as they did not want to bear their portion of the contributions.

Legal consequences and potential liabilities

The PRC Legal Advisers advised that, according to the Social Insurance Law of the PRC* (《中華人民共和國社會保險法》) and other relevant regulations, the relevant government authority may order the Group to pay the unpaid amount within a certain period and a late fee that equals to 0.05% of the total unpaid amount per day. If the Group fails to pay the unpaid amount or the late fee within the period, it may be subject to a fine ranging between one to three times of the total unpaid amount of the social insurance contribution.

As advised by the PRC Legal Advisers, pursuant to the Regulation of the Labour Protection Monitoring* (《勞動保障監察條例》), any non-compliance with labour protection laws and regulations will not be investigated if it is not identified or reported within two years from the date when such breach is committed or if such breach is a continuing breach, the date of cessation of such breach. Part of the outstanding social insurance contribution involved ex-employees whose employment with Zhonggan Communication has terminated for more than two years and are time-barred.

Remedial actions, impacts on the Group and internal control measures to minimise the risk of recurrence of non-compliance incidents

During the Track Record Period and up to the Latest Practicable Date, the Group had not received any orders or demands from the relevant government authorities requesting it to pay the shortfall in social insurance contributions or any penalties and there had been no complaints from the Group's employees regarding the non-compliance of social insurance contributions.

The Group has obtained written confirmations from the relevant authorities as follows:

(i) Zhonggan Communication and GLP Technology

The Group has obtained two written confirmations, both dated 30 January 2024 from the Nanchang City Human Resources and Social Security Bureau*(南昌市人力資源和社會保障局), which is a competent authority, confirming that, there is no outstanding social insurance contribution (in respect of pension insurance, unemployment insurance and work-related injury insurance) due from Zhonggan Communication and GLP Technology during the Track Record Period and up to 30 January 2024.

The Group has also obtained two written confirmations, both dated 26 January 2024 from the Nanchang City Healthcare Security Bureau*(南昌市醫療保障服務中心), which is a competent authority, confirming that during the Track Record Period and up to 26 January 2024, there was no material violations of laws and regulations in relation to medical insurance and maternity insurance on the part of Zhonggan Communication and GLP Technology, that Zhonggan Communication and GLP Technology had not been subject to actual or potential investigation or punishment for violating the provisions of medical insurance laws, regulations, rules and other normative documents, has no record of being complained against or reported to, and has no relevant disputes, litigation or controversies with the bureau.

(ii) Shanghai branch office of Zhonggan Communication

According to the enterprise credit report dated 24 January 2024 issued by Shanghai Public Credit Information Service Center*(上海市公共信用信息服務中心), there was no violation of laws and regulations in relation to social insurance on the part of the Shanghai branch office of Zhonggan Communication during the Track Record Period.

(iii) Guizhou branch office of Zhonggan Communication

According to the enterprise credit report dated 5 March 2024 issued by National Enterprise Credit Information Publicity System(國家企業信用信息公示系統), there was no violation of laws and regulations in relation to social insurance on the part of the Guizhou branch office of Zhonggan Communication during the Track Record Period.

Given the above confirmations from the relevant competent authorities, the PRC Legal Advisers are of the opinion that the risk of the Group being fined is remote provided that it pays the unpaid amount, and late fee (if any), for social insurance in full amount within the prescribed period after receiving notices to rectify such non-compliance from the relevant PRC authorities. The Group would also be indemnified by the Controlling Shareholders if it is ordered by the relevant government authority to pay any outstanding social insurance contribution or penalty.

Given the above and taking into consideration that the Controlling Shareholders have provided an indemnity in favour of the Group in respect of the non-compliance, the Directors believe that there will not be any material adverse impact on the Group's overall business, financial condition or results of operations.

The Group will make full social insurance contributions for its employees based on the respective employee's actual salary level according to PRC laws and regulations on or before the **[REDACTED]**. In order to prevent future potential non-compliance incidents in relation to social insurance contributions, the Group has adopted various measures including: (i) designating personnel of human resources department for calculation and payment of social insurance contributions; and (ii) providing training to the relevant personnel of the human resources department.

Housing Provident Fund Contributions

Details of non-compliance

During the Track Record Period,

(i) Zhonggan Communication did not make housing provident fund contributions for some of its employees as required under PRC laws and regulations.

(ii) Zhonggan Communication, the Shanghai and Guizhou branch offices of Zhonggan Communication and GLP Technology did not make full housing provident fund contribution based on the respective employee's actual salary level for its employees as required under PRC laws and regulations.

The aggregate underpaid housing provident funds for the years ended 31 December 2021, 2022 and 2023 amounted to approximately RMB140,000, RMB160,000 and RMB270,000, respectively.

Reasons for the non-compliance

These non-compliance incidents occurred primarily because of (i) inadvertent oversight of the relevant PRC laws and regulations; and (ii) some of its employees chose not to be enrolled in the housing provident fund as they did not want to bear their portion of the contributions.

Legal consequences and potential liabilities

According to the Regulations on Management of Housing Provident Fund* (《住房公積金管理條例》), if a company fails to pay or does not contribute to the housing provident fund within the prescribed time period, the relevant government authority may order it to make up the outstanding contributions within the prescribed time limit, and failing which, the relevant authority may apply for compulsory enforcement by the People's Court. If the employer fails to complete the registration formalities within the prescribed time limit, it will be subject to a fine from RMB10,000 to RMB50,000.

Remedial actions, impacts on the Group and internal control measures to minimise the risk of recurrence of non-compliance incidents

During the Track Record Period and up to the Latest Practicable Date, the Group had not received any orders or demands from the relevant government authorities requesting it to pay the shortfall in housing provident fund contributions or any penalties and there had been no complaints from the Group's employees regarding the non-compliance of housing provident fund contributions.

The Group has obtained written confirmations from the relevant authorities as follows:

(i) Zhonggan Communication and GLP Technology

The Group has obtained two written confirmations, both dated 25 January 2024 from the Nanchang Housing Provident Fund Management Centre*（南昌住房公積金管理中心）, which is a competent authority, confirming that there was no violations of laws and regulations in relation to housing provident fund contribution on the part of Zhonggan Communication and GLP Technology.

(ii) Shanghai branch office of Zhonggan Communication

According to the enterprise credit report dated 24 January 2024 issued by Shanghai Public Credit Information Service Center*（上海市公共信用信息服務中心）, there was no violation of laws and regulations in relation to housing provident fund contribution on the part of the Shanghai branch office of Zhonggan Communication during the Track Record Period.

(iii) Guizhou branch office of Zhonggan Communication

According to the enterprise credit report dated 5 March 2024 issued by National Enterprise Credit Information Publicity System（國家企業信用信息公示系統）, there was no violation of laws and regulations in relation to housing provident fund contribution on the part of the Guizhou branch office of Zhonggan Communication during the Track Record Period.

Zhonggan Communication and GLP Technology have undertaken to make full housing provident fund contribution on or before **[REDACTED]**.

Given the above confirmations from the relevant competent authorities, the PRC Legal Advisers are of the opinion that the risk of the Group being fined is remote provided that it pays the unpaid amount, and late fee (if any), for housing provident fund contribution in full amount within the prescribed period after receiving notices to rectify such non-compliance from the relevant PRC authorities. The Group would also be indemnified by the Controlling Shareholders if it is ordered by the relevant government authority to pay any outstanding housing provident fund contribution or penalty.

Given the above and taking into consideration that the Controlling Shareholders have provided an indemnity in favour of the Group in respect of the non-compliance, the Directors believe that there will not be any material adverse impact on the Group's overall business, financial condition or results of operations.

The Group will make full housing provident fund contributions for its employees based on the respective employees' salary level accounting to the PRC Laws and regulations on or before the **[REDACTED]**. In order to prevent future potential non-compliance incidents in relation to housing provident fund contributions, the Group has adopted various measures including: (i) designating personnel of human resources department for calculation and payment of housing provident funds contributions; and (ii) providing training to the relevant personnel of the human resources department.

RISK MANAGEMENT AND INTERNAL CONTROL

With the growth and expansion of the Group's operations, potential risks associated with the business of the Group increases. It is the responsibility of the Board to ensure that the Group maintains sound and effective internal control measures to safeguard Shareholders' investment and the assets of the Group at all times. In order to identify, assess and control the risks that may create impediments to the growth of the business of the Group, the Group has adopted, or expect to adopt before the **[REDACTED]**, a series of internal control policies, and procedures designed to provide reasonable assurance for achieving objectives, including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations and to implement risk management policies to address various potential risks identified in relation to its operations, including operational risks, credit risks, market risks, financial risk and legal risks. In particular, the Group has taken certain measures and has established various structures and policies as follows to strengthen its internal control and to manage its risks:

- a thorough examination by the Board of any material risks associated with any material business decision before approving such decision;

- the Directors and senior management are required to keep track of day-to-day operations and monitor any associated operational risks of the Group and to formulate policies and resolutions to mitigate or resolve these risks;

- the engagement of an independent internal control consultant to assist the Group in reviewing and to provide recommendations on improving its internal control system. Taking into account the recommendation of such review by the independent internal control consultant, the Group enhanced its internal control system accordingly;

- the establishment of the Audit Committee which will review the Group's internal control system and procedures for compliance with the requirements prescribed by the applicable laws, rules and regulations;

- the appointment of Zhongtai International Capital Limited as the Group's compliance adviser pursuant to Rule 3A.19 of the Listing Rules upon the **[REDACTED]** to advise it on compliance with the Listing Rules;

- the engagement of external legal advisers to advise the Group on compliance with and to provide it with updates on the changes in the Listing Rules and the applicable laws, rule and regulations from time to time and as required;

- the provision of training to relevant employees in order to enhance their industry knowledge and to encourage an encompassing culture of risk management ensuring that relevant employees are aware of and responsible for risk management; and

- the establishment of an in-house legal and compliance team which consists of executive Director of the Company to organise, review and maintain its internal control system and to provide assistance to the Directors, senior management and employees with respect to internal control policies (where necessary).

CONTROLLING SHAREHOLDERS

Immediately following the completion of the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), GT & Yangtze, which is owned as to approximately 70.0% by Mr. Liu Haoqiong and as to 30.0% by his spouse, Ms. Tao Xiulan, will directly own approximately 56.2% of the issued share capital of the Company. Accordingly, GT & Yangtze, Mr. Liu Haoqiong and Ms. Tao Xiulan are the controlling shareholders under the Listing Rules.

COMPETITION

Each of the Controlling Shareholders and the Directors confirms that as of the Latest Practicable Date, neither he/she/it nor any of his/her/its close associates had any interest in a business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with the Group's business, and requires disclosure under Rule 8.10 of the Listing Rules.

DEED OF NON-COMPETITION

Each of the Controlling Shareholders has undertaken to the Company in the Deed of Non-Competition that he/she/it will not, and will procure his/her/its close associates (other than members of the Group) not to directly or indirectly be involved in or undertake any business (other than the business engaged by the Group) that directly or indirectly competes, or may compete, with any business engaged by any member of the Group (the "**Restricted Business**"), or hold interest in any companies or business that compete directly or indirectly with the business current or from time to time engaged in by the Group, except where (i) the Controlling Shareholders and/or their close associates individually or collectively hold less than 10% of the total issued share capital of any public company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that directly or indirectly competes, or may compete with the Restricted Business; and (ii) the Controlling Shareholders and/or their close associates individually or collectively hold less than 30% of the total issued share capital of any private company (whose shares are not listed on any stock exchange) which is engaged in any business that directly or indirectly competes or may compete with the Restricted Business, provided that the Controlling Shareholders and their close associates do not have the right to nominate 50% or more members or control the voting rights (including but not limited to control the casting vote) of the board of directors of such public or private companies (collectively, the "**Minority-Interest Companies**").

Save as any investment opportunities which will make the target companies fall under the Minority-Interest Companies as set out above, each of the Controlling Shareholders has undertaken that if any new business/investment opportunity relating to the Restricted Business (the "**Competing Business Opportunity**") is identified by/made available to him/her/it or any of his/her/its close associates, he/she/it shall, and shall procure that his/her/its close associates shall, refer such Competing Business Opportunity to the Company on a timely basis and in the following manner:

- refer the Competing Business Opportunity to the Company by giving written notice (the "**Offer Notice**") to the Company of such Competing Business Opportunity within 30 business days of identifying the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for the Company to consider whether to pursue such Competing Business Opportunity;

- upon receiving the Offer Notice, the Company shall seek approval from a board committee consisting of Directors who do not have an interest in the Competing Business Opportunity (the "**Independent Board Committee**") as to whether to pursue or decline the Competing Business Opportunity;

- any Director who has actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board Committee) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity;

- the Independent Board Committee shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with the Group's strategies and development plans and the general market conditions of the Group's business. If appropriate, the Independent Board Committee may appoint independent financial advisors and legal advisors to assist in the decision-making process in relation to such Competing Business Opportunity;

- the Independent Board Committee shall, within 30 business days of receipt of the written notice referred above, inform the Controlling Shareholders in writing on behalf of the Company its decision whether to pursue or decline the Competing Business Opportunity;

- the Controlling Shareholders shall be entitled but not obliged to pursue such Competing Business Opportunity if he/she/it receives a notice from the Independent Board Committee declining such Competing Business Opportunity or if the Independent Board Committee fails to respond within such 30 business days' period mentioned above; and

- if there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by the Controlling Shareholders, he/she/it shall refer such revised Competing Business Opportunity to the Company as if it was a new Competing Business Opportunity.

The Deed of Non-Competition will lapse automatically if the Controlling Shareholders and their close associates cease to hold individually and/or collectively, whether directly or indirectly, 30% or above of the then issued share capital of the Company or the Shares cease to be listed.

In order to promote good corporate governance practices and to improve transparency, the Deed of Non-Competition includes the following provisions:

- the independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-Competition by the Controlling Shareholders;
- each of the Controlling Shareholders has undertaken to the Company that he/she/it will provide and procure his/her/its close associates to provide on best endeavor basis, all information necessary for the annual review by the independent non-executive Directors for the enforcement of the Deed of Non-Competition;
- the Company will disclose the review by the independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-Competition in its annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules;
- the Company will disclose the decisions on matters reviewed by the independent non-executive Directors (including the reasons for not taking up the Competing Business Opportunity referred to the Company) either through its annual report or by way of announcement to the public; and
- in the event that any of the Directors and/or their respective close associates has material interests in any matter to be deliberated by the Board in relation to the compliance and enforcement of the Deed of Non-Competition, he/she may not vote on the resolutions of the Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Management Independence

The Board of the Company comprises six executive Directors and three independent non-executive Directors. Although Mr. Liu Haoqiong is the chairman of the Board, an executive Director and also a Controlling Shareholder, the Group's management and operational decisions are made by all the executive Directors and senior management, all of whom have substantial experience in the industry in which the Group is engaged and/or in their respective fields of expertise. The balance of power and authority is ensured by the operation of the senior management team and the Board. See "Directors and Senior Management" for more details.

Each of the Directors is aware of his/her fiduciary duties as a Director which require, among others, that he/she must act for the benefit of and in the best interests of the Company and not allow any conflict between his/her duties as a Director and his/her personal interests. Further, the Company believes that the independent non-executive Directors will bring independent judgment to the decision-making process of the Board. In addition, the Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest and shall not be counted in the quorum present at the particular Board meeting.

Based on the above, the Directors are satisfied that the Board as a whole together with the senior management team is able to perform the managerial role in the Group independently.

Operational Independence

Although the Controlling Shareholders will retain a controlling interest in the Company after the **[REDACTED]**, the Company has full rights to make all decisions regarding, and to carry out, its own business operations independently. The Company (through its subsidiaries) holds or enjoys the benefit of all the relevant licenses necessary to carry on its business, and has sufficient capital, equipment, access to customers and suppliers, and employees to operate its business independently from the Controlling Shareholders and their respective close associates. In addition, the Company's organisational structure is made up of individual departments, each with specific areas of responsibilities. The Company has also established a set of internal control measures to facilitate the effective operation of its business.

The Directors do not expect that any significant transactions will be entered into between the Group and the Controlling Shareholders upon or shortly after the **[REDACTED]**.

Based on the above, the Directors are satisfied that the Company has been operating independently from the Controlling Shareholders and their respective close associates during the Track Record Period and will continue to operate independently.

Financial Independence

During the Track Record Period and up to the Latest Practicable Date, the Group has its own internal control, accounting and financial management system, accounting and finance department and the Group makes financial decisions according to its own business needs. In addition, the Group does not rely on the Controlling Shareholders and/or their close associates by virtue of their provision of financial assistance.

During the Track Record Period, the Group had certain amounts due to Mr. Liu Haoqiong, a Controlling Shareholder, and his associates, details of which are set out in Notes 26 and 28 to the Accountants' Report set out in Appendix I to this document. All such amounts will be fully settled before **[REDACTED]**.

During the Track Record Period, the Group also received financial assistance from Mr. Liu Haoqiong and Ms. Tao Xiulan, each a Controlling Shareholder, and/or their associates by way of personal guarantees and collateral offered by Mr. Liu Haoqiong, Ms. Tao Xiulan and/or their associates, details of which are set out in Notes 21 and 28 to the Accountants' Report set out in Appendix I to this document. Confirmations have been obtained from the relevant banks that the relevant collaterals will be released, and the relevant guarantees will be replaced by corporate guarantee to be provided by the Company upon **[REDACTED]**.

As such, the Group will be able to obtain bank borrowings in its own name without any financial assistance from the Controlling Shareholders and/or their associates following the **[REDACTED]**. Therefore, the Directors believe that the Group is capable of obtaining financing from external sources without reliance on the Controlling Shareholders and/or their associates.

Based on the above, the Directors believe that the Company has the ability to operate independently of the Controlling Shareholders and their respective close associates from a financial perspective and is able to maintain financial independence from the Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Each of the Controlling Shareholders has confirmed that he/she/it fully comprehends his/her/its obligations to act in the Shareholders' and the Company's best interests as a whole. The Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, the Company has implemented the following measures:

(a) as part of the preparation for the **[REDACTED]**, the Company has amended the Articles of Association to comply with the Listing Rules. In particular, the Articles of Association provide that, unless otherwise provided, a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with the Company's interest and abstain himself/herself from voting and not be counted towards the quorum on the resolution in which such Director or his/her close associates have a material interest;

(b) the Company is committed that the Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). The Company has appointed three independent non-executive Directors and the Company believes the independent non-executive Directors possess sufficient experience, and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of the Shareholders. Details of the independent non-executive Directors are set out in "Directors and Senior Management– Directors – Independent Non-executive Directors";

(c) in the event that the independent non-executive Directors are requested to review any conflicts of interests circumstances between the Company on the one hand and the Controlling Shareholders and/or the Directors on the other hand, the Controlling Shareholders and/or the Directors shall provide the independent non-executive Directors with all necessary information, and the Company shall disclose the decisions of the independent non-executive Directors either through the annual report or by way of announcements; and

(d) the Company has appointed Zhongtai International Capital Limited as its compliance advisor, which will provide advice and guidance to the Company in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

OVERVIEW

The Board currently consists of nine Directors, including six executive Directors and three independent non-executive Directors. All Directors are elected by the general meeting for a term of three years which is renewable upon re-election. The major powers and functions of the Board include, but are not limited to, convening the general meetings, presenting reports to the general meetings, implementing the resolutions passed at the general meetings, determining the operational plans and investment plans of the Group, determining the annual financial budgets and final accounts of the Group, determining the fundamental management systems of the Group, formulating profit distribution plans and loss recovery plans of the Group, and exercising other powers and functions as conferred by the Memorandum and Articles of Association.

The following tables set forth information regarding the Directors and senior management.

Directors and Senior Management

The following table sets forth certain information of the Directors:

Name	Age	Position	Major duties	Time of joining the Group	Date of appointment	Relationship with other Directors and senior management
Executive Directors						
Mr. Liu Haoqiong (劉皓瓊)	54	Chairman and executive Director	Responsible for the overall management and business strategies and management of the Group	Since establishment of the Group	Appointed as Director on 19 May 2022; redesignated as executive Director on 28 June 2023	Father of Mr. Liu Dingli and Mr. Liu Dingyi
Mr. Peng Shengqian (彭聲謙)	60	Executive Director	Responsible for management of marketing department, overseeing research and development and a member of the Remuneration Committee	June 2019	Appointed as Director on 19 May 2022; redesignated as executive Director on 28 June 2023	N/A
Ms. Xie Xiaolan (謝小蘭)	63	Executive Director	Responsible for business development and project management of the Telecommunications Infrastructure Services business segment	October 2003	Appointed as Director on 19 May 2022; redesignated as executive Director on 28 June 2023	N/A
Mr. Liu Dingli (劉鼎立)	33	Executive Director	Responsible for management of Digitalisation Solution Services business segment and a member of the Nomination Committee	June 2017	Appointed as Director on 19 May 2022; redesignated as executive Director on 28 June 2023	Son of Mr. Liu Haoqiong; brother of Mr. Liu Dingyi
Mr. Liu Dingyi (劉鼎議)	28	Executive Director and joint company secretary	Responsible for overseeing legal and compliance activities of the Group	May 2020	Appointed as Director on 19 May 2022; redesignated as executive Director on 28 June 2023	Son of Mr. Liu Haoqiong; brother of Mr. Liu Dingli
Mr. Zhou Zhiqiang (周志強)	41	Executive Director	Responsible for finance and treasury management	August 2017	Appointed as Director on 13 September 2022; redesignated as executive Director on 28 June 2023	N/A

Name	Age	Position	Major duties	Time of joining the Group	Date of appointment	Relationship with other Directors and senior management
Independent Non-executive Directors						
Mr. Yu Shiyong (余世勇)	61	Independent non-executive Director	Providing independent opinion and judgment to the Board; chairman of the Audit Committee; member of each of the Nomination Committee and the Remuneration Committee	October 2020	17 June 2024	N/A
Mr. Li Yinguo (李銀國)	68	Independent non-executive Director	Providing independent opinion and judgment to the Board; member of the Audit Committee and the chairman of the Remuneration Committee	October 2020	17 June 2024	N/A
Mr. Zhu Yugang (朱玉鋼)	54	Independent non-executive Director	Providing independent opinion and judgment to the Board; member of the Audit Committee and chairman of the Nomination Committee	October 2020	17 June 2024	N/A

The senior management is responsible for the day-to-day management of the Group's business. The following table below sets forth certain information on the senior management of the Company:

Name	Age	Position	Major duties	Time of joining the Group	Date of appointment as senior management	Relationship with other Directors and senior management
Mr. Tseung Yat Ming (蔣一銘)	38	Vice president	Responsible for overseeing corporate finance and capital market activities of the Group	August 2021	17 June 2024	N/A

DIRECTORS

Executive Directors

Mr. Liu Haoqiong (劉皓瓊), 54, is the chairman and an executive Director of the Company. Mr. Liu is responsible the overall management and business strategies of the Group and serves as chairman and general manager of the Group's principal operating subsidiary, Zhonggan Communication.

Mr. Liu has over 20 years of experience in the telecommunications infrastructure industry. From August 2001 to November 2016, Mr. Liu was the legal representative of Nanchang Changjiang Electric Power Engineering Installation Co., Ltd.* (南昌市長江電力工程安裝有限公司) ("**Changjiang Electric**"), a company principally engaged in sale and installation of electronic equipment. Since May 2002, upon establishment of Zhonggan Communication, Mr. Liu has served as the general manager of Zhonggan Communication.

In November 2012, Mr. Liu obtained the qualification of engineer in telecommunications infrastructure from the Office of Competency of Fuzhou*(撫州市職稱工作辦公室), Jiangxi Province, the PRC. Further, in June 2015, Mr. Liu obtained the qualification in lightning protection work from the China Meteorological Administration(中國氣象局).

Mr. Liu graduated from the Nanchang University in July 1992, where he majored in communication and information systems. In January 2020, Mr. Liu graduated from China University of Petroleum-Beijing, where he majored in computer science and technology through online courses. In December 2021, Mr. Liu completed the Advanced Business Management Program at MBA School of Education of Jiangxi University of Finance and Economics.

Mr. Liu was a director, a supervisor and/or a legal representative of the following companies incorporated in the PRC when they were dissolved due to cessation of business or had their business license revoked, with details as follows:

Company	Position	Place of incorporation	Principal business activity immediately before dissolution/revocation of business license	Date of dissolution/ revocation of business license	Means of dissolution/ revocation of business license
Jiangxi Gantong Communication Engineering Co., Ltd.* (江西贛通通信工程有限公司 former name 江西省贛達實業發展有限公司)	Legal representative, executive director, and general manager	PRC	Engineering, maintenance and technical consultancy services	25 August 2016	Dissolved by deregistration
Jiangxi Yingdian Investment Management Co., Ltd.* (江西英琠投資管理有限公司) . .	Supervisor	PRC	Investment management	30 October 2017	Dissolved by deregistration
Nanchang Changjiang Electric Power Engineering and Installation Co., Ltd.* (南昌市長江電力工程安裝有限公司).	Legal representative	PRC	Sales of electric power equipment and devices, technical consultancy, and engineering	Business license revoked on 18 October 2007 Deregistration on 4 November 2016	Revocation of business licence
Jiangxi Gantong Communication Technology Co., Ltd.* (江西贛通通信技術有限公司) . .	Legal representative, executive director, and general manager	PRC	Communication engineering, communication engineering maintenance, and technical consultancy services	2 September 2016	Dissolved by deregistration
Jiangxi Gantong Communication Service Co., Ltd.* (江西贛通通信服務有限公司) . .	Legal representative, executive director, and general manager	PRC	Communication engineering, communication engineering maintenance, and technical consultancy services	29 August 2016	Dissolved by deregistration

Changjiang Electric was established on 20 August 2001, with the intention of engaging in various business activities, such as providing electric facility services, selling electric equipment, and conducting indoor pipeline installations. However, it has not commenced business since its establishment. Due to the lack of knowledge on the relevant laws and regulations of its responsible persons, the required annual inspection on Changjiang Electric in 2003 and 2004, respectively, was omitted. According to Nanchang Industry and Commerce Administration Bureau's penalty decision Honggongshanggechuzi [2007] No. 2274(洪工商個處字[2007]第2274號)on 18 October 2007, the business license of Changjiang Electric was revoked as it had violated the Regulations on the Administration of Company Registration (2005 amended version)(《公司登記管理條例》(2005年修訂版))due to its failure to carry out the required annual inspection in 2003 and 2004, respectively, which was an unintentional omission. Pursuant to Article 146 of the PRC Company Law, for any person (i) being the legal representative of a PRC company of which the business licence has been revoked and is being ordered to close down due to the violation of laws or regulations; and (ii) bearing the personal responsibility as a result of such revocation of business licence, he or she will be prohibited from being a director, supervisor or senior management in any other PRC companies within three years from the date of such revocation of business licence.

In 2016, Zhonggan Communication planned to apply for listing of its shares on the NEEQ. At the time, one of the legal advisers in the NEEQ listing exercise, Beijing Dacheng (Nanchang) Law Office, noted that Mr. Liu had served as the legal representative of Changjiang Electric and had its business license revoked in 2007. Accordingly, they suggested that Changjiang Electric should proceed with an additional deregistration procedure. Subsequently, on 7 September 2016, a shareholders meeting of Changjiang Electric was held, where it was unanimously resolved to cease operations and initiate the deregistration of Changjiang Electric. Changjiang Electric's liquidation process commenced on 10 September 2016. As of 31 October 2016, its creditor's rights and debts had fully liquidated, and its remaining assets had been completely distributed.

As confirmed by the PRC Legal Advisers, on 2 November 2016, Changjiang Electric applied to the Nanchang Market and Quality Supervision Administration Bureau(南昌市市場和質量監督管理局)("**NMQSAB**") for deregistration. The NMQSAB verified and processed the deregistration application in accordance to the law on 4 November 2016. Based on the aforementioned circumstances, Beijing Dacheng (Nanchang) Law Firm issued a legal opinion, stating that Mr. Liu's qualifications to serve as directors, supervisors, and senior managers of the company will not be affected by the revocation of Changjiang Electric's business license. Subsequently Zhonggan Communication was successfully listed on the NEEQ on 25 January 2017.

The PRC Legal Advisers are of the view that (i) the reason for the revocation of business licence of Changjiang Electric is an unintentional omission of the required annual inspections, and it has been more than three years since then, there is no violation of Article 146 of the PRC Company Law that Mr. Liu act as a director of the Company; (ii) Mr. Liu was not subject to any administrative penalty for the revocation under the Nanchang Industry and Commerce Administration Bureau's penalty decision [2007] No.2274(洪工商個處字[2007]第2274號); (iii) Mr. Liu has not been subject to any administrative penalty for the revocation as verified by China Judicial Instruments Network(中國裁判文書網), China Market Supervision Administrative Punishment Network(中國市場監管行政處罰網), Mr. Liu's certificate of no criminal record and personal credit report; and (iv) the NMQSAB verified and processed the deregistration application of Changjiang Electric in accordance to the law. For such reasons, as confirmed by the PRC Legal Advisers, the revocation of the business licence of Changjiang Electric will not affect Mr. Liu's suitability to act as a director of the Company.

Mr. Liu also confirmed that (i) the above companies were solvent immediately prior to their dissolutions or revocation of business licence; (ii) there was no material wrongful act on his part leading to the dissolutions or revocation of business licence of the above companies and was not aware of any actual or potential claim that had been or would be made against him as a result of the dissolutions or revocation of business licence; and (iii) no misconduct or misfeasance had been involved in the dissolution or revocation of business licence of the above companies.

Mr. Peng Shengqian(彭聲謙), aged 60, is an executive Director and a member of the Remuneration Committee of the Company. He has been a director of Zhonggan Communication since February 2020 and the person-in-charge of the Shanghai branch office of Zhonggan Communication since January 2020. Mr. Peng is mainly responsible for management of the marketing development and overseeing research and development of the Group.

From 2001 to 2005, he served as the deputy general manager of Zhejiang Tiantong Electronics Co., Ltd*(浙江天通電子股份有限公司) (currently known as TDG Holding Co., Ltd(天通控股股份有限公司)), a company listed on the Shanghai Stock Exchange (Stock Code: 600330). From September 2007 to April 2011, he served as the deputy general manager of Jiangsu Zhongtian Technology Co., Ltd.*(江蘇中天科技股份有限公司), a Company listed on the Shanghai Stock Exchange (Stock Code: 600522), as well as the deputy general manager of technology division and general manager of broadcast and network division. From April 2011 to February 2012, he served as the sales director of Tongding Interconnection Information Co., Ltd.* ("**Tongding Interconnection**")(通鼎互聯信息股份公司, a company listed on the Shenzhen Stock Exchange (Stock Code: 002491)). From March 2012 to December 2014, he served as deputy general manager of Tongding Group Co., Ltd.*(通鼎集團有限公司). From May 2015 to June 2019, he served as the deputy general manager of Tongding Interconnection. Since February 2020, he has served as a director of Zhonggan Communication.

Mr. Peng obtained the qualification of senior engineer in electronic engineering awarded by the Department of Human Resources of Zhejiang Province, the PRC, in June 2002. He was qualified as a registered career manager by the China Enterprise Evaluation Association(中國企業評價協會) in January 2007.

Mr. Peng was a director or supervisor of the following companies incorporated in the PRC when they were dissolved due to cessation of business or had their business license revoked, with details as follows:

Company	Position	Place of incorporation	Principal business activity immediately before dissolution/revocation of business license	Date of dissolution/ revocation of business license	Means of dissolution/ revocation of business license
Zhongtian Technology (Shenyang) Optical Cable Co., Ltd.* (中天科技(瀋陽)光纜有限公司).	Director	PRC	Manufacturing, sales and after-sales service of optical fibers, optical cables etc. for communication	15 August 2019	Dissolved by deregistration
Shanghai Yunjing Electronic Technology Co. Ltd.* (上海運晶電子科技有限公司) ("**Shanghai Electric**")	Supervisor	PRC	Development, processing, manufacturing and sales of electronic components	27 July 2010	Revocation of business licence

Referring to the revocation of its business licence, Shanghai Electric overlooked its annual inspection requirement, and as a result it violated the "Regulations on the Administration of Company Registration" (2005 revision)(《公司登記管理條例》(2005年修訂版)). In light of the aforementioned violation, the Nanchang Administration for Industry and Commerce(南昌市工商行政管理局)revoked the business license of Shanghai Electric in 2010.

As advised by the PRC Legal Advisers, pursuant to Article 146 of the PRC Company Law, for any person (i) being the legal representative of a PRC company of which the business licence has been revoked and is being ordered to close down due to the violation of laws or regulations; and (ii) bearing the personal responsibility as a result of such revocation of business licence, he or she will be prohibited from being a director, supervisor or senior management in any other PRC companies within three years from the date of such revocation of business licence.

The PRC Legal Advisers confirmed that the business licence of Shanghai Electric has been revoked for more than three years. It is also further confirmed by Mr. Peng and verified by the PRC Legal Advisers that Mr. Peng's oversight did not constitute as a major violation of the relevant laws and regulations. As advised by the PRC Legal Advisers, the aforesaid revocation of the business licence had not affected the suitability of Mr. Peng to act as a Director of the Company.

Mr. Peng confirmed that (i) the above companies were solvent immediately prior to their dissolution or revocation of business licence; (ii) there was no material wrongful act on his part leading to the dissolution or revocation of business licence of the above companies and was not aware of any actual or potential claim that had been or would be made against him as a result of the dissolution or revocation of business licence; and (iii) no misconduct or misfeasance had been involved in the dissolution or revocation of business licence of the above companies.

Mr. Peng graduated from China University of Geosciences(中國地質大學)in Wuhan, the PRC with a bachelor's degree in petrology and a master degree in science, both in June 1997.

Ms. Xie Xiaolan (謝小蘭), 63, is an executive Director of the Company, a director of Zhonggan Communication and the director and general manager of Gantong Jiangxi, and has served various positions within the Group.

Ms. Xie has over 18 years of experience in the telecommunications infrastructure industry. From October 2003 to August 2016, she served as the deputy general manager of Zhonggan Communication. Since January 2014, she also served as director of the production department of Zhonggan Communication and is responsible for business development of the infrastructure market and management of production. Further, since August 2016, she has served as the director and assistant to the general manager of Zhonggan Communication.

Ms. Xie received the certification in enterprise cadre recruitment from the Ministry of Human Resources of Nanchang, Jiangxi Province, the PRC in November 1993.

Mr. Liu Dingli (劉鼎立), 33, is an executive Director of the Company, a member of the Nomination Committee, a director of Zhonggan Communication and the director and general manager of GLP Technology and GLP Software, both indirectly wholly-owned subsidiaries of the Company.

From June 2017 to November 2017, he served as the director of the internet technology operation department of Zhonggan Communication. From November 2017 to September 2020, he acted as the general manager of GLP Technology. Since September 2020 to present, he has been serving as the executive director, general manager and legal representative of GLP Technology. Since February 2020, he has been serving as a director of Zhonggan Communication, and since February 2022 he has been serving as the executive director, general manager and legal representative of GLP Software.

Mr. Liu received a bachelor of arts degree in hospitality and tourism management in December 2011 and a master of science in international hospitality management and leadership in March 2013, both from Queen Margaret University in Edinburgh, Scotland.

Mr. Liu was a director or a supervisor of the following companies incorporated in the PRC or Hong Kong when they were dissolved due to cessation of business, with details as follows:

Company	Position	Place of incorporation	Principal business activity immediately before dissolution	Date of dissolution	Means of dissolution
Jiangxi Jixin Communication Co., Ltd.* (江西吉鑫通信有限公司)	Legal representative, executive Director, and general manager	PRC	Network information technology consultancy services and communication technology development	26 August 2016	Dissolved by deregistration
Jiangxi Gantong Real Estate Development Co., Ltd.* (江西贛通房地產開發有限公司).	Legal representative, and executive director	PRC	Real estate development and sales, housing rental, and architectural design	21 August 2020	Dissolved by deregistration
Jiangxi Dingli Automobile Technology Service Co., Ltd* (江西鼎立汽車科技服務有限公司)	Supervisor	PRC	Motor vehicle maintenance services, car detailing, leasing, human resources information consultancy	31 July 2019	Dissolved by deregistration
Castle Front Limited	Director	Hong Kong	Investment holding	24 July 2020	Dissolved by deregistration

Mr. Liu confirmed that (i) the above companies were solvent immediately prior to their dissolutions; (ii) there was no wrongful act on his part leading to the dissolutions of the above companies and was not aware of any actual or potential claim that had been or would be made against him as a result of the dissolutions; and (iii) no misconduct or misfeasance had been involved in the dissolution of the above companies.

Mr. Liu Dingyi (劉鼎議), aged 28, is an executive Director and a joint company secretary of the Company and is responsible for overseeing legal and compliance activities of the Group. Since May 2020, he has been the assistant to the general manager of the securities and legal department of Zhonggan Communication. Since March 2022, he has served as a director of Zhonggan Communication.

Mr. Liu graduated from Monash University, Australia, in May 2020 with a Bachelor of Business, with a major in banking and finance.

Mr. Zhou Zhiqiang (周志強), aged 41, is an executive Director of the Company and the Group's chief financial officer. Mr. Zhou has over 17 years of experience in financial management. From July 2005 to July 2008, Mr. Zhou served as the accountant of Jiangxi Chenming Paper Co., Ltd. (江西晨鳴紙業有限責任公司), a subsidiary of Shandong Chenming Paper Holdings Co., Ltd.* (山東晨鳴紙業集團股份有限公司), a company listed on the Stock Exchange (Stock Code: 01812) and the Shenzhen Stock Exchange (Stock Code: 000488). From August 2008 to July 2017, he served as the finance manager of Jiangxi Weidahui Real Estate Development Co., Ltd.* (江西省威達匯房地產開發有限公司). Since August 2017, he has been the chief financial officer of Zhonggan Communication. He obtained bachelor's degree in accountancy from Jiangxi University of Finance and Economics in June 2005.

Independent Non-Executive Directors

Mr. Yu Shiyong (余世勇), aged 61, was appointed as an independent non-executive Director of the Company on 17 June 2024. He is also the chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee. He has been an independent director of Zhonggan Communication since October 2020.

Mr. Yu has more than 12 years of experience in accounting and financial management. From September 1999 to October 2002, he served as the finance director of Fujian Mindong Electric Power Co., Ltd.* (福建閩東電力股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 000993). During his tenure, he was mainly responsible for accounting, financial information disclosure and comprehensive financial management of the listed company. In particular, he was responsible for the company's restructuring, initial public offering and A-share issuance. From January 2003 to September 2006, he served as the chief financial director of Shandong Chenming Paper Holdings Co., Ltd.* (山東晨鳴紙業集團股份有限公司), a company listed on the Stock Exchange (Stock Code: 01812) and the Shenzhen Stock Exchange (Stock Code: 000488), where he was mainly responsible for internal control and fiscal and taxation management of the listed company. In light of his corporate management and financial management expertise, he served as the financial person in charge in relation to compliance for the company's quarterly, semi-annual and annual financial information disclosure. From May 2010 to June 2013, he was the vice president of Xtep (China) Co., Ltd.* (特步(中國)有限公司), a subsidiary of XTep International Holdings Limited (特步國際控股有限公司), a company listed on the Stock Exchange (Stock Code: 01368), where he was primarily responsible for the financial and capital management of the listed company and its PRC subsidiaries. Since April 2020, he has been serving as the executive director and general manager of Xiamen Litu Enterprise Management Consulting Co., Ltd.*(廈門利兔企業管理諮詢有限公司), where he is responsible for the business operation and financial management of the company. Given his professional experience, he has been crucial in establishing the company's financial management and tax planning system. As part of his role at the company, he has been working with central state-owned listed companies and both large and medium-sized private enterprises as their business training instructor, where he provided training courses regarding investment and financing, internal control, risk management, and financial and taxation management. His training courses aimed to enhance the corporate, fiscal and taxation management of the client companies. From November 2016 to the present, he has also served as a guest lecturer at the School of Accountancy of the Central University of Finance and Economics*(中央財經大學).

In December 1997, Mr. Yu qualified as a senior accountant by Personnel and Labour Department of Ningxia Hui Autonomous Region*(寧夏回族自治區人事勞動廳). In October 2020, Mr. Yu received the Certificate for Strategic Financial Management issued by the Enterprise Financial Management Association of China. In 2006, Mr. Yu obtained the Sino-British Vocational Qualifications Cooperation Project Certificate issued by the Occupation Skill Testing Authority(職業技能鑒定中心) and the China Employment Training Technical Instruction Centre (中國就業培訓技術指導中心), which certified that Mr. Yu has skill of Cambridge International Diploma in Management – Financial Management (Module Certificate) in Higher Professional Level. He was also awarded the certificate of qualification of independent director issued by the Shanghai Stock Exchange in April 2017. In June 2013, Mr. Yu obtained certification as taxpay strategist by the Chinese Society of Educational Development Strategy. Mr. Yu received the Certificate of Qualification for CFO Enterprise Management Post issued by China Enterprise Confederation in September 2006. In August 2006, Mr. Yu obtained qualification as Chief Financial Officer (CFO) for managerial position of China Enterprise Confederation from the CTA Testing Authority.

Mr. Yu obtained a master's degree in business administration from Stratford University in June 2005. Mr. Yu obtained a PhD in business administration from the Business School at Beijing Normal University(北京師範大學經濟與工商管理學院)in October 2013.

Mr. Yu was the sole proprietor of the following individual industrial and commercial household*(個體工商戶) in the PRC when it was dissolved due to cessation of business with details as follows:

Company	Position	Place of incorporation	Principal business activity immediately before dissolution	Date of dissolution	Means of dissolution
Shenzhen Longhua District Tu Ge Management Consulting Department*(深圳市龍華區兔哥管理諮詢部)	Sole proprietor	PRC	Corporate management consultancy; cultural event planning	19 April 2022	Deregistration

Mr. Yu confirmed that (i) the above individual industrial and commercial household was solvent immediately prior to its dissolution; (ii) there was no wrongful act on his part leading to the dissolution of the above individual industrial and commercial household and was not aware of any actual or potential claim that had been or would be made against him as a result of the dissolution; and (iii) no misconduct or misfeasance had been involved in the dissolution of the above individual industrial and commercial household.

Mr. Li Yinguo（李銀國）, aged 68, was appointed as an independent non-executive Director of the Company on 17 June 2024. He is also a member of the Audit Committee and the chairman of the Remuneration Committee. He has been an independent director of Zhonggan Communication since October 2020.

Mr. Li has more than 10 years of experience in higher education. From January 2004 to April 2016, he worked in Chongqing University of Posts and Telecommunications（重慶郵電大學）, serving as vice president and president. From April 2018 to August 2021, Mr. Li was an independent director of Chongqing Chuanyi Automation Co.,Ltd.*（重慶川儀自動化股份有限公司）, the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 603100).

Mr. Li obtained a master's degree in science from Chongqing University in December 1989. Mr. Li graduated from Chongqing University with a doctorate degree in automatic control theory and application in July 1996.

Mr. Zhu Yugang（朱玉鋼）, aged 54, was appointed as an independent non-executive Director of the Company on 17 June 2024. He is also a member of the Audit Committee and the chairman of the Nomination Committee. He has been an independent director of Zhonggan Communication since October 2020.

From May 2009 to June 2014, he served as the chief lawyer of Jiangxi Hua Gan Law Firm*（江西華贛律師事務所）. Since June 2014, he served as the senior partner of Jiangxi Hua Gan Law Firm*（江西華贛律師事務所）.

Mr. Zhu is currently a practicing lawyer in the PRC and a member of the Chinese People's Political Consultative Conference National Committee of Xihu District, of Nanchang Municipal.

Mr. Zhu received an bachelor of laws degree from China Central Radio and TV University（中央廣播電視大學）(currently known as The Open University of China（國家開放大學）) in Beijing, the PRC in November 2004.

Disclosure required under Rule 13.51(2) of the Listing Rules

Save as disclosed above, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, there are no other matters in respect of the Directors that are required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules, and there is no other material matter relating to the Directors that needs to be brought to the attention of the Shareholders.

SENIOR MANAGEMENT

Mr. Liu Haoqiong (劉皓瓊), aged 53, is the Chairman and an executive Director of the Company. Please see "Directors – Executive Directors" in this section for his biographical details.

Mr. Tseung Yat Ming (蔣一銘), aged 38, is the Group's vice president. From August 2010 to June 2011, Mr. Tseung worked as an analyst in Shanghai Mingyu Xiaoyang Investment Management Co., Ltd.* (上海明渝霄陽投資管理有限公司). From August 2011 to May 2021, he worked in Shanghai Panhou Capital Management Co., Ltd.* (上海磐厚投資管理有限公司) as the investment director. In June of 2021, he served as the secretary of the board of directors and director of investor relations in Suzhou Basecare Medical Corporation Limited (蘇州貝康醫療股份有限公司), a company listed on the Stock Exchange (Stock Code: 02170). Mr. Tseung joined Zhonggan Communication in August 2021 as the vice president and is responsible for overseeing corporate finance and capital market activities of the Group.

Mr. Tseung graduated from East China Normal University (華東師範大學) in July 2007 with a bachelor's degree in computer science and technology. He later obtained master's degree in economics from East China Normal University in June 2010.

JOINT COMPANY SECRETARIES

Mr. Liu Dingyi (劉鼎議) was appointed as a joint company secretary of the Company by the Board on 28 June 2023. Please see "Directors – Executive Directors" in this section for Mr. Liu's biography.

Ms. Wong Wai Yee, Ella (黃慧兒) ("Ms. Wong") was appointed as a joint company secretary of the Company on 28 June 2023. Ms. Wong is a director of Corporate Services Division of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services.

Ms. Wong has over 20 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Wong is currently acting as the company secretary or joint company secretary of a few listed companies on the Stock Exchange.

Ms. Wong is a Chartered Secretary, a Chartered Governance Professional and a Fellow of both The Hong Kong Chartered Governance Institute (formerly known as (The Hong Kong Institute of Chartered Secretaries) ("**HKCGI**") and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom. Ms. Wong is a holder of the Practitioner's Endorsement from HKCGI. Ms. Wong obtained her bachelor's degree in Economics from The University of Hong Kong and a Postgraduate Diploma in Corporate Administration from the City University of Hong Kong.

BOARD COMMITTEES

The Company has established three board committees in accordance with the relevant laws and regulations and the corporate governance practice under the Listing Rules, including the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit Committee

The Audit Committee of the Company consists of three independent non-executive Directors of the Company, namely Mr. Yu Shiyong, Mr. Zhu Yugang and Mr. Li Yinguo. Mr. Yu Shiyong currently serves as the chairman of the Audit Committee. The primary duties of the Audit Committee are as follows:

1. to review significant financial policies of the Group and their implementation, and supervise the financial activities of the Group;

2. to review the financial information and relevant disclosures of the Group;

3. to consider and approve the risk management and internal control evaluation proposal of the Group, and supervise and evaluate the risk management and internal control of the Group;

4. to consider and approve the audit budget, remuneration of staff and appointment and dismissal of major officers of the Group, supervise and evaluate the work of internal audit of the Group and formulate the medium to long-term audit plan, annual working plan and internal audit system setting plan of the Group as authorised by the Board, and report to the Board;

5. to make recommendations to the Group, on the appointment, re-appointment and removal of external auditor, and evaluate the report of the external auditor to ensure that it undertakes its audit responsibilities;

6. to facilitate communications and monitor the relationship between the internal audit department and the external auditor;

7. to monitor the non-compliance of the Group in respect of the financial reports and the risk management and internal control; and

8. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Memorandum and the Articles of Association, and as authorised by the Board.

Nomination Committee

The Nomination Committee of the Company consists of two independent non-executive Directors, namely Mr. Yu Shiyong and Mr. Zhu Yugang and an executive Director, Mr. Liu Dingli. Mr. Zhu Yugang currently serves as the chairman of the Nomination Committee. The primary duties of the Nomination Committee are as follows:

1. to formulate procedures and standards for the election of Directors and senior management and make recommendations to the Board on the proposed procedures and standards;

2. to make recommendations to the Board on the nomination of candidates for Directors, senior management and secretary of the Board;

3. to preliminarily examine the eligibility of candidates for Directors and senior management;

4. to make recommendations to the Board on the nomination of candidates for chairmen and members of the board committees; and

5. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Memorandum and the Articles of Association, and as authorised by the Board.

Remuneration Committee

The Remuneration Committee of the Company consists of two independent non-executive Directors, namely Mr. Yu Shiyong and Mr. Li Yinguo and an executive Director, Mr. Peng Shengqian. Mr. Li Yinguo currently serves as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are as follows:

1. to organise and formulate the remuneration policy and plan of Directors and senior management and submit to the Board for approval, and propose the remuneration distribution plan according to the performance evaluation of the Directors and senior management and submit to the Board for approval; and

2. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Memorandum and the Articles of Association, and as authorised by the Board.

REMUNERATION AND COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The Group offers the executive Directors and senior management, as its employees, with remuneration in the form of salaries, allowances, benefits in kind, performance-related bonuses, pensions, and other social insurance benefits. Independent non-executive Directors receive compensation according to their duties (including serving as members or chairmen of the board committees).

For the years ended 31 December 2021, 2022 and 2023, the aggregate remuneration before tax paid to the Directors (including of fees, salaries, discretionary bonuses, pension plan contributions, welfare, healthcare and other expenses) was approximately RMB2.3 million, RMB2.5 million and RMB1.5 million, respectively. Under the arrangements currently in force, it is estimated that the aggregate amount of remuneration of the Directors (including of fees, salaries, discretionary bonuses, pension plan contributions, welfare, healthcare and other expenses) for the year ending 31 December 2024 will be approximately RMB2.6 million.

The five highest paid individuals of the Group for the years ended 31 December 2021, 2022 and 2023 include three, three and two Directors respectively, whose emoluments are included in the aggregate amount of fees, salaries, discretionary bonuses, pension plan contributions, welfare, healthcare and other expenses paid to the relevant Directors as set out above. For the years ended 31 December 2021, 2022 and 2023, the aggregate amount of fees, salaries, discretionary bonuses, pension plan contributions, welfare, healthcare and other expenses paid to the remaining two, two and three individuals were RMB0.5 million, RMB1.1 million and RMB0.9 million, respectively. Further details on the remuneration of the five highest paid individuals during the Track Record Period are set out in the Accountants' Report in Appendix I to this document.

During the Track Record Period, none of the Directors waived any remuneration. Save as disclosed above, during the Track Record Period, there were no other payments paid or payable to the Directors or five highest paid individuals by the Company or any of its subsidiaries (i) as an inducement to join or upon joining the Group or (ii) for the loss of any office in connection with the management of the affairs of any member of the Group.

For the details of the service contracts and appointment letters that entered into with the Directors, Please refer to the section headed "Statutory and General Information – C. Further Information about the Directors and substantial shareholders – 1. Directors – (b) Particulars of service contracts agreements and letters of appointment" in Appendix V to this document.

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy which sets out the approach to achieve and maintain diversity in the Board. Pursuant to the Company's board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical capabilities, professional qualifications and skills, knowledge, length of service and other related factors. The Company will also consider its business model and special needs. The ultimate selection of Director candidates will be based on merits of the candidates and contribution that the candidates will bring to the Board.

The Nomination Committee is responsible for the implementation of the board diversity policy. Upon **[REDACTED]** of the Listing, the Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness and the Company will disclose the implementation of the board diversity policy in its corporate governance report on an annual basis.

COMPLIANCE ADVISER

The Company has appointed Zhongtai International Capital Limited as its compliance adviser (the "**Compliance Adviser**") upon the **[REDACTED]** in compliance with Rule 3A.19 of the Listing Rules.

The Compliance Adviser will provide the Company with guidance and advice as to compliance with the requirements under the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the Company will consult with and, if necessary, seek advice from the Compliance Adviser in the following circumstances:

(i) before the publication of any regulatory announcement, circular, or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(iii) where the Company proposes to use the **[REDACTED]** of the **[REDACTED]** in a manner different from that detailed in this document or where the business activities, development or results of the Group deviates from any forecast, estimate or other information in this document; and

(iv) where the Stock Exchange makes an inquiry to the Company regarding unusual movements in the price or trading volume of the Shares.

The term of appointment of the Compliance Adviser shall commence on the **[REDACTED]** and is expected to end on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the **[REDACTED]**.

SHARE CAPITAL

The following is a description of the authorised and issued share capital of the Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Shares which may be issued upon the exercise of the **[REDACTED]** or any options which may be granted under the Share Option Scheme):

		Nominal value
		(HK$)
Authorised share capital:		
1,000,000,000	Shares of HK$0.1 each	100,000,000
Issued and to be issued, fully paid or credited as fully paid:		
1,011,251	Shares in issue as of the date of this document	101,125.1
[REDACTED]	Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**
[REDACTED]	Shares to be issued under the **[REDACTED]**	**[REDACTED]**
[REDACTED]	**Shares in total**	**[REDACTED]**

ASSUMPTIONS

The above table assumes that the **[REDACTED]** becomes unconditional and the issue of Shares pursuant to the **[REDACTED]** and the **[REDACTED]** are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the **[REDACTED]** or any option which may be granted under the Share Option Scheme or any Shares which may be issued or bought back by the Company pursuant to the general mandates granted to the Directors to issue or buy back Shares as described below.

RANKINGS

The **[REDACTED]** will be ordinary shares in the share capital of the Company and will carry the same rights in all respects with all Shares in issue or to be issued as mentioned in this document and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document save for the entitlement under the **[REDACTED]**.

MINIMUM PUBLIC FLOAT

According to Rule 8.08 of the Listing Rules, at the time of the **[REDACTED]** and at all times thereafter, at least 25% of the total issued share capital of the Company shall be held by the public (as defined in the Listing Rules).

As each of Rui Da BVI (which is wholly-owned by Rui Da Xin Tao), Shu Zhi Cayman (which is wholly-owned by Shu Zhi Shen Kong), Ying Hua BVI (which is wholly-owned by Ying Hua Investment), You Po BVI (which is wholly-owned by You Po Investment) and Ms. Yeung will hold less than 10% of the total issued share capital of the Company immediately following the completion of the **[REDACTED]** and the **[REDACTED]** and each of them is independent from and not connected with each other, they will not be considered as a substantial shareholder of the Company upon completion of the **[REDACTED]** and the **[REDACTED]**. Accordingly, the Shares held by each of Rui Da BVI, Shu Zhi Cayman, Ying Hua BVI, You Po BVI and Ms. Yeung shall be considered as part of the public float for the purpose of Rule 8.08 of the Listing Rules. Approximately 32.4% of the total issued capital of the Company upon the **[REDACTED]** will be held by the public (as defined in the Listing Rules).

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in "Statutory and General Information – D. Share Option Scheme" in Appendix V to this document.

GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the **[REDACTED]** becoming unconditional, the Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of the Company with a total number of issued shares of not more than the sum of:

(1) 20% of the total number of Shares in issue immediately following the completion of the **[REDACTED]** and the **[REDACTED]** (excluding Shares which may be allotted and issued pursuant to the exercise of the **[REDACTED]** or any options which may be granted under the Share Option Scheme); and

(2) the total number of Shares bought back by the Company (if any) pursuant to the general mandate to buy back Shares granted to the Directors referred to below.

The Directors may, in addition to the Shares which they are authorised to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement or on the exercise of any options which may be granted under the Share Option Scheme.

This general mandate will remain in effect until the earliest of:

(i) the conclusion of the next annual general meeting of the Company; or

(ii) the expiration of the period within the next annual general meeting of the Company is required by the Articles or any applicable laws to be held; or

(iii) the date on which such general mandate is varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in "Statutory and General Information – A. Further Information about The Company – 5. Written resolutions of the Shareholders passed on 17 June 2024" in Appendix V to this document.

GENERAL MANDATE TO BUYBACK SHARES

Subject to the **[REDACTED]** becoming unconditional, the Directors have been granted a general mandate to exercise all the powers of the Company to buy back Shares with a total number of Shares of not more than 10% of the total number of Shares in issue immediately following the completion of the **[REDACTED]** and the **[REDACTED]** (excluding Shares which may be allotted and issued pursuant to the exercise of the **[REDACTED]** or any options which may be granted under the Share Option Scheme).

This mandate only relates to buybacks made on the Stock Exchange or any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in "Statutory and General Information – A. Further Information about The Company – 7. Buyback by the Company of its own securities" in Appendix V to this document.

This general mandate will remain in effect until the earliest of:

(i) the conclusion of the next annual general meeting of the Company; or

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws to be held; or

(iii) the date on which such general mandate is varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in "Statutory and General Information – A. Further Information about The Company – 5. Written resolutions of the Shareholders passed on 17 June 2024" in Appendix V to this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The Company has only one class of Shares, namely ordinary shares, each of which carries the same rights as the other Shares.

As a matter of the Cayman Islands Companies Act, an exempted company is not required by law to hold any general meeting or class meeting. The holding of general meeting or class meeting is prescribed under the articles of association of a company. Accordingly, the Company will hold general meetings as prescribed under the Articles, a summary of which is set out in "Summary of the constitution of the Company and Cayman Islands Companies Act" in Appendix IV to this document.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, the following persons will, immediately prior to and following the completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Shares which may be issued pursuant to the exercise of the **[REDACTED]** or any options which may be granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which would be required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of the Company:

Name of Shareholder	Nature of interest	Shares held as of the date of this document and immediately prior to the completion of the [REDACTED] and the [REDACTED][1]		Shares held immediately following the completion of the [REDACTED] and the [REDACTED][1]	
		Number of Shares[1]	Approximate percentage (%)	Number of Shares[1]	Approximate percentage (%)
GT & Yangtze	Beneficial owner	757,268 (L)	74.88	**[REDACTED]** (L)	**[REDACTED]**
Mr. Liu Haoqiong	Interest in controlled corporation [2]	757,268 (L)	74.88	**[REDACTED]** (L)	**[REDACTED]**
Ms. Tao Xiulan	Interest in controlled corporation [2]	757,268 (L)	74.88	**[REDACTED]** (L)	**[REDACTED]**

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) GT & Yangtze is owned as to 70.0% by Mr. Liu Haoqiong and 30.0% by Ms. Tao Xiulan, the spouse of Mr. Liu Haoqiong. By virtue of the SFO, Mr. Liu Haoqiong and Ms. Tao Xiulan are deemed to be interested in the Shares held by GT & Yangtze.

If the **[REDACTED]** is fully exercised, the interest of GT & Yangtze in the Shares will be approximately **[REDACTED]**.

Except as disclosed in this document, the Directors are not aware of any person who will, immediately following the completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Shares which may be issued pursuant to the exercise of the **[REDACTED]** or any options which may be granted under the Share Option Scheme), have beneficial interests or short positions in any Shares or underlying Shares, which would be required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the issued voting shares of any member of the Group. The Directors are not aware of any arrangement which may at a subsequent date result in a change of control of the Company.

You should read this section in conjunction with the historical financial information of the Group, including the notes thereto, as set out in the Accountants' Report set out in Appendix I to this document (the "Historical Financial Information"). The Historical Financial Information has been prepared in accordance with the HKFRSs. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by the Group in light of the experience and perception of historical trends, current conditions and expected future developments of the Group, as well as other factors the Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet the expectations and projections depend on a number of risks and uncertainties over which the Group does not have control. Please refer to the section headed "Risk Factors" for details.

Discrepancies between totals and sums of amounts listed herein in any table or elsewhere in this document may be due to rounding.

OVERVIEW

Established in 2002, the Group is a reputable integrated service provider and software developer in Jiangxi Province with particular focus on the provision of Telecommunications Infrastructure Services and Digitalisation Solution Services. Since its founding, it has established long and stable business relationships with the key players in the telecommunications industry including the Big Three, being the three largest telecommunications network operators in the PRC, and the largest telecommunications tower infrastructure service provider in the world. According to the Ipsos Report, the Group ranked third amongst all telecommunications network infrastructure construction and maintenance services companies in Jiangxi Province in terms of revenue in 2023, with a market share of approximately 3.1%.

Telecommunications Infrastructure Services provided by the Group comprise Infrastructure Construction Services and Infrastructure Maintenance Services and are mainly provided to telecommunications network operators. Infrastructure Construction Services mainly involve the construction of telecommunications networks and the supporting infrastructure including the construction of base stations, the configuration of telecommunications equipment, the laying of cables, the construction of electricity generation facilities and foundation works. Infrastructure Maintenance Services mainly involve routine basic maintenance and repairs and restoration works for the telecommunications networks as well as emergency troubleshooting in the event of network failure in order to ensure the reliability and stability of the overall telecommunications network. These services are essential for telecommunications operators to ensure their business to run smoothly while also improving the service quality and user experience of the telecommunications network.

Since 2018, the Group has been providing Digitalisation Solution Services to customers including telecommunications network operators and local governments, quasi-government institutions, state-owned enterprises and private companies in the PRC. The Digitalisation Solution Services provided by the Group comprise Integrated Solution Services, System Maintenance Services and Software Solution Services. The Digitalisation Solution Services provided by the Group generally involve the provision of turnkey and other solutions encompassing system design, software development, installation, implementation and commissionings for use in infrastructure digitalisation related projects which cover various sectors such as digital healthcare, digital education, digital surveillance, digital government, digital industrial management and digital urban management, etc. For Integrated Solution Services, the Group provides and integrates hardware and software, while for Software Solution Services, the Group provides and integrates software only. To complement the Integrated Solution Services, the Group also provides commissioned System Maintenance Services to ensure the proper functioning of the hardware and software systems.

BASIS OF PRESENTATION AND PREPARATION

The Company was incorporated in the Cayman Islands on 20 April 2022 as an exempted company with limited liability under the Cayman Islands Companies Act. The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the group reorganisation mentioned below.

Prior to the incorporation of the Company and completion of the group reorganisation mentioned below, the principal activities of the Group were carried out by Zhonggan Communication and its subsidiaries. To rationalise the corporate structure in preparation of the **[REDACTED]**, the Group underwent the group reorganisation, as detailed in the section headed "History, Reorganisation and Corporate Structure" in the Document (the "**Reorganisation**"). On 25 August 2022, the Company became the holding company of the companies now comprising the Group.

The Reorganisation only involved inserting newly formed investment entities with no substantive operations as holding companies of Zhonggan Communication, and there were no changes in the economic substance of the ownership, business and operations of the Group before and after the Reorganisation. Accordingly, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of Zhonggan Communication with the assets and liabilities of Zhonggan Communication recognised and measured at their historical carrying amounts prior to the Reorganisation. Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The consolidated financial information of the Group has been prepared in accordance with all applicable HKFRSs accounting policies. The material accounting policy information adopted by the Group are set forth in note 2 of the Accountants' Report set out in Appendix I to this document. Some of the accounting policies involve judgments, estimates and assumptions made by the Group's management. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, please refer to note 3 of the Accountants' Report for details. When reviewing the Group's financial statements, the prospective investors should consider: (i) the Group's selection of material accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised HKFRSs to the Track Record Period consistently throughout the Track Record Period. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2023 are set out in note 30 of the Accountants' Report in Appendix I to this document.

Critical accounting policies

Set out below are details related to certain material accounting policy information of the Group:

1. Revenue recognition

Revenue is recognised when the Group satisfies a performance obligation in a contract. A performance obligation represents a distinct good or service that is transferred by the Group to the customer, and is satisfied when the customer obtains control over that distinct a good or service. The Group recognises revenue at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following conditions is met: (i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; (ii) the customer is able to control goods in the progress during the Group's performance; (iii) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognised at a point of time when the customer obtains control over the relevant goods or services.

Where the contract contains a financing component which provides a significant financing benefit to the customer, the Group adjusts the promised amount of consideration for the effects of time value of money by using a discount rate that would be reflected in a separate financing transaction with the customer and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue recognition policies are as follows:

(a) Provision of Infrastructure Construction Services

The Group recognises revenue from provision of Infrastructure Construction Services over time because the Group's construction activities create or enhance assets controlled by the customers. The Group adopts the input method to measure performance progress and revenue is recognised based on the proportion of the actual costs incurred relative to the estimated total costs. Where the performance progress cannot be determined reasonably, revenue is recognised based on the amount of cost that is expected to be compensated based on the cost already incurred, until the performance progress can be reasonably determined.

The likelihood of the Group suffering settlement amount adjustments resulting from final completion inspection and project settlement audit are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The Group applies the most likely amount approach to estimate such variable consideration by considering the single most likely amount in a limited range of possible consideration amounts, taking into account the Group's current progress and adjustment rates over historical periods.

(b) Provision of Digitalisation Solution Services

In this business model, the Group provides the following three types of services based on customers' needs:

(i) Integrated Solution Services

The Group designs and provides integrated IT solutions for the customers by integrating different hardware and software based on the service specifications of the customers. The Group develops the integrated IT solutions at the sites designated by the customers. As the Group's performance creates or enhances assets that the customers control as the Group performs, the Group recognises revenue over time. The Group adopts the input method to measure performance progress and revenue is recognised based on the proportion of the actual costs incurred relative to the estimated total costs. Where the performance progress cannot be determined reasonably, revenue is recognised based on the amount of cost that is expected to be compensated based on the cost already incurred, until the performance progress can be reasonably determined.

(ii) System Maintenance Services

The Group offers optional System Maintenance Services to provide on-site support to the customers of the Integrated Solution Services. If the customer chooses to purchase System Maintenance Services, the Group allocates the transaction price to the Integrated Solution Services and System Maintenance Services based on their relative stand-alone selling prices. As the Group does not sell the System Maintenance Services separately, it uses expected cost plus a margin approach to estimate the stand-alone selling price of the System Maintenance Services. Revenue from the System Maintenance Services is recognised over time on a straight-line basis as the customer simultaneously receives and consumes the benefits as the Group performs and the Group's efforts are expended evenly during the on-site support period.

(iii) Software Solution Services

In this service type, the Group grants a licence to customers which allows them to use the software developed by the Group. As the software has standalone functionality and the Group will not undertake future activities that will significantly change the functionality of the software, the Group recognises revenue from the software licensing at a point in time when the customers are able to use the software.

(c) Provision of Infrastructure Maintenance Services

The Group provides maintenance and repair to fix and rectify technical issues of infrastructure owned by third parties within contracted period. Revenue from maintenance and repair service is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Additionally, the Group provides emergency and sporadic repair and maintenance service for customers case by case, the Group recognises revenue upon the completion of the emergency and sporadic service because the service is completed within one day.

2. Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs and are transferred to trade receivables when the right to the consideration has become unconditional. For Infrastructure Construction Services projects, the Group generally recognises contract assets and corresponding revenue based on work progress. Upon issuance of invoices for the progress payment, the relevant portion of contract assets is transferred to trade receivables. Upon completion of settlement audit by its customers, the entitlement to the remaining consideration for the projects becomes unconditional. Meaning that the Group has fulfilled its obligations under the contract and is entitled to receive payment from its customers. At this point, the remaining portion of contract assets is transferred to trade receivables.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Critical accounting estimates and judgements

Set out below are details related to certain critical accounting estimates and judgements of the Group:

1. Loss allowances of trade receivables and contract assets

Loss allowances for trade receivables and contract assets is estimated by the Group through assessing the ECLs. This requires the use of estimates and judgements. ECLs are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecasted general economic conditions at the end of each Track Record Period. The Group keeps assessing the expected credit loss of trade receivables and contract assets during their expected lives.

2. Recognition of deferred tax assets

Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, management's judgement is required to assess the probability of future taxable profits. The Group's management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

KEY FACTORS AFFECTING RESULTS OF OPERATIONS

The Group's results of operations and financial condition have been and will continue to be, affected by a number of factors, which primarily include the following:

Market conditions and trends in the telecommunications industry and overall economy in the PRC

The Group's operations and management are currently located in the PRC as such its business is subject to the overall macro-economic conditions in the PRC as well as other factors which drive the growth in demand for Telecommunications Infrastructure Services and Digitalisation Solution Services such as the rate of urbanisation and rural development, end consumer demand for mobile services and technology and demand for digitalisation and IoT devices. The aforementioned factors together with the PRC Government's spending patterns will likely affect the availability of Telecommunications Infrastructure Services and Digitalisation Solution Services projects in the PRC as well as the future growth and level of profitability of the Group. Aside, policy changes by the PRC Government whether they relate to taxation, interest rates or otherwise may also affect the level of activity in the industry as well as the availability of capital. An occurrence of recession in the PRC, deflation or any changes in the PRC's currency policy may also have an adverse effect upon the Group's business, financial condition and results of operations.

Non-recurring nature of the Group's projects

The services provided by the Group during the Track Record Period were generally offered on a project-by-project basis with no long term commitments from its customers to further engage the Group for similar related types of work and the Group had a total of 78 On-going Projects and 52 Pre-revenue Projects as at the Latest Practicable Date. Accordingly, the Group's projects were non-recurring in nature and upon completion of these projects on hand, there is no guarantee that the Group's existing customers will award any further projects to the Group.

Given the non-recurring nature of the Group's projects, in order for the Group to maintain its level of revenue or achieve revenue growth, the Group would have to obtain new projects. There is no guarantee that the Group will be able to secure new projects from its current customers or attract new customers. In the event that there is a significant decrease in the number of projects or scale in terms of contract value of the projects awarded by the Group's customers, the Group's revenue or profit may decrease and its business, financial condition and results of operations may be adversely affected.

Accuracy in the estimation of project time and costs at the project identification stage

The Group's projects are typically awarded by the Group's customers via a competitive tender process. In determining the offer price, the Group would conduct a feasibility study having taken into account the possible costs and time required based on the information specified in the tender invitation documents as well as the Group's own required margins. However, the actual time and costs incurred in the Group's projects may be adversely affected by a series of factors, some of which may be beyond its control, such as: (i) unanticipated geological conditions; (ii) unfavourable weather conditions; (iii) availability of workers; and (iv) unforeseen disputes with customers, suppliers and other relevant parties. Accordingly, the Group cannot guarantee that the actual cost and time incurred for any given project would be consistent with its initial estimates and where the Group has inaccurately estimated the costs and time required for any project, it may be required to bear the costs of such cost increases and delays which in turn would affect its profitability and expose it to claims from customers. In the event that the Group's actual costs significantly exceeds its estimated costs and any price adjustments is not adequate to cover the increased costs, the Group's financial condition and results of operations could be materially and adversely affected.

Fluctuations in the Group's labour procurement costs

During the Track Record Period, the Group would generally engage labour suppliers to supply workers and to perform or to assist the Group in performing labour intensive works in respects of its projects. The Group employs the use of labour suppliers as its projects are located across different areas of the PRC and thus the use of labour suppliers alleviates the need by the Group to maintain a large pool of workers and allows the Group to achieve greater cost savings and increase its profitability.

The Group's labour procurement costs represented the largest component of the its cost of sales for the years ended 31 December 2021, 2022 and 2023 accounting for approximately 78.4%, 91.5% and 89.5% respectively. Accordingly, fluctuations in the Group's labour procurement costs directly impact the Group's operational and financial results. In general, the Group would enter into framework agreements with its labour suppliers which would be valid for one year, however these framework agreements merely set out the basic terms of their engagement. Rather, a separate work order would be required to engage the relevant labour suppliers and the fees charged by the Group's labour suppliers would vary based on the nature and complexity of the work involved, duration and number of as well as the availability of workers.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's labour procurement costs on its profit before tax during the Track Record Period, assuming all other variables, including the Group's revenue remains constant. Fluctuations in the Group's labour procurement costs are included in the Group's total cost of sales and are set at 5%, 10% and 15% having taken into account historical fluctuations.

Hypothetical fluctuations	-15%	-10%	-5%	+5%	+10%	+15%
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Change in labour procurement costs						
Year ended 31 December 2021	(45,604)	(30,403)	(15,201)	15,201	30,403	45,604
Year ended 31 December 2022	(42,467)	(28,312)	(14,156)	14,156	28,312	42,467
Year ended 31 December 2023	(61,765)	(41,177)	(20,588)	20,588	41,177	61,765
Change in profit before tax						
Year ended 31 December 2021	45,604	30,403	15,201	(15,201)	(30,403)	(45,604)
Year ended 31 December 2022	42,467	28,312	14,156	(14,156)	(28,312)	(42,467)
Year ended 31 December 2023	61,765	41,177	20,588	(20,588)	(41,177)	(61,765)

Fluctuations in the Group's finance costs

The Group's operations were mainly financed by bank borrowings during the Track Record Period. The Group's finance costs during the Track Record Period mainly comprised interest expenses on borrowings and finance leases. For the years ended 31 December 2021, 2022 and 2023 the Group's finance costs amounted to approximately RMB11.5 million, RMB15.3 million and RMB16.7 million, respectively.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's finance costs on its profit before tax during the Track Record Period, assuming all other variables remain constant. Fluctuations in the Group's finance costs are set at 5%, 10% and 15% having taken into account the historical fluctuations.

Hypothetical fluctuations	-15%	-10%	-5%	+5%	+10%	+15%
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Change in finance cost						
Year ended 31 December 2021	(1,722)	(1,148)	(574)	574	1,148	1,722
Year ended 31 December 2022	(2,300)	(1,533)	(767)	767	1,533	2,300
Year ended 31 December 2023	(2,502)	(1,668)	(834)	834	1,668	2,502
Change in profit before tax						
Year ended 31 December 2021	1,722	1,148	574	(574)	(1,148)	(1,722)
Year ended 31 December 2022	2,300	1,533	767	(767)	(1,533)	(2,300)
Year ended 31 December 2023	2,502	1,668	834	(834)	(1,668)	(2,502)

RESULTS OF OPERATIONS

The following table summarises the Group's consolidated statements of profit or loss for the Track Record Period, extracted from the Accountants' Report in Appendix I to this document.

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	479,118	413,091	609,301
Cost of sales	(387,930)	(309,453)	(459,982)
Gross profit	91,188	103,638	149,319
Other net income	5,850	4,750	5,018
Selling expenses	(5,080)	(3,436)	(3,298)
Administrative expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Research and development expenses	(19,208)	(17,680)	(25,873)
Profit from operations	52,399	54,272	86,692
Finance costs	(11,480)	(15,332)	(16,682)
Profit before taxation	40,919	38,940	70,010
Income tax	(4,746)	(3,965)	(1,339)
Profit for the year	**36,173**	**34,975**	**68,671**
Attributable to:			
Equity shareholders of the Company	36,173	34,473	68,592
Non-controlling interests	–	502	79
	[REDACTED]	**[REDACTED]**	**[REDACTED]**

DESCRIPTION OF SELECTED ITEMS IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

The following table sets forth a breakdown of the Group's revenue by business segments during the Track Record Period:

	Year ended 31 December					
	2021		2022		2023	
	Revenue	% of total	Revenue	% of total	Revenue	% of total
	RMB'000		*RMB'000*		*RMB'000*	
Telecommunications Infrastructure Services						
– Infrastructure Construction Services	344,631	71.9%	309,276	74.9%	463,367	76.0%
– Infrastructure Maintenance Services	25,160	5.3%	33,224	8.0%	37,990	6.2%
Sub-total	369,791	77.2%	342,500	82.9%	501,357	82.2%
Digitalisation Solution Services						
– Integrated Solution Services	107,364	22.4%	10,148	2.5%	41,258	6.8%
– System Maintenance Services	1,963	0.4%	2,044	0.5%	470	0.1%
– Software Solution Services	–	–	58,399	14.1%	66,216	10.9%
Sub-total	109,327	22.8%	70,591	17.1%	107,944	17.8%
Total	**479,118**	**100.0%**	**413,091**	**100.0%**	**609,301**	**100.0%**

During the Track Record Period, the revenue from the Telecommunications Infrastructure Services business segment, comprising the Infrastructure Construction Services and Infrastructure Maintenance Services business sub-segments, accounted for approximately 77.2%, 82.9% and 82.2% of the Group's total revenue for the years ended 31 December 2021, 2022 and 2023, respectively. The revenue from the Digitalisation Solution Services business segment, comprising Integrated Solution Services, System Maintenance Services and Software Solution Services business sub-segments, accounted for approximately 22.8%, 17.1% and 17.8% of the Group's total revenue for the years ended 31 December 2021, 2022 and 2023, respectively.

The Group's revenue decreased from approximately RMB479.1 million for the year ended 31 December 2021 to approximately RMB413.1 million for the year ended 31 December 2022 and increased to approximately RMB609.3 million for the year ended 31 December 2023. Overall for the period from the year ended 31 December 2021 to the year ended 31 December 2023, the Group's revenue grew at a CAGR of approximately 12.8%.

Cost of sales

The Group's cost of sales during the Track Record Period primarily comprised labour procurement costs, direct material costs and direct labour costs. The following table sets out a breakdown of the Group's cost of sales during the Track Record Period:

	Year ended 31 December					
	2021		2022		2023	
	Amount	% of total	Amount	% of total	Amount	% of total
	RMB'000		*RMB'000*		*RMB'000*	
Labour procurement costs	304,026	78.4%	283,117	91.5%	411,767	89.5%
Direct material costs	56,609	14.6%	7,952	2.6%	29,183	6.3%
Direct labour costs	12,997	3.4%	11,618	3.8%	9,396	2.0%
Technical service fees	4,217	1.1%	1,651	0.5%	2,826	0.6%
Installation service fees	4,110	1.1%	–	–	917	0.2%
Office expenses	1,924	0.5%	1,657	0.5%	1,787	0.4%
Fuel expenses	1,758	0.4%	1,984	0.6%	3,140	0.7%
Tax and surcharges	1,343	0.3%	495	0.2%	857	0.2%
Others	946	0.2%	979	0.3%	109	0.1%
Total	**387,930**	**100.0%**	**309,453**	**100.0%**	**459,982**	**100.0%**

Labour procurement costs mainly represented charges and fees paid to labour suppliers who provided the necessary labour for the completion of the Group's Telecommunications Infrastructure Services projects located across different areas of the PRC. By engaging labour suppliers that are based in different regions across the PRC, the Group can streamline and minimise its labour force and reduce the burden in maintaining significant labour force. Further, through the use of labour suppliers for labour intensive works, the Group can focus its resources on more complex tasks, such as project management and quality control, thus improving its operational efficiency. The Group's labour procurement cost represented the largest component of the Group's cost of sales and accounted for approximately 78.4%, 91.5% and 89.5% of its total cost of sales for the years ended 31 December 2021, 2022 and 2023, respectively.

Direct material costs primarily represented the hardware and software used in the Group's Digitalisation Solution Services business segment. The direct material costs represented the second largest component of the Group's cost of sales and accounted for approximately 14.6%, 2.6% and 6.3% of its cost of sales for the years ended 31 December 2021, 2022 and 2023, respectively. The significant decrease in the contribution from direct material costs to the total cost of sales in 2022 was mainly due to the Group's prioritisation of Software Solution Services projects over Integrated Solution Services projects, considering the customers' demand and the limited resources available during that period. Therefore, no significant costs for hardware were incurred for the projects.

Direct labour costs primarily represented the salaries, discretionary bonus, allowance and contributions to defined contribution plans paid to the members of the Group's project management team who were involved in the Group's Telecommunications Infrastructure Services projects. The direct labour costs represented the third largest component of the Group's cost of sales and accounted for approximately 3.4%, 3.8% and 2.0% of its cost of sales for the years ended 31 December 2021, 2022 and 2023, respectively.

The following table sets out a breakdown of the Group's cost of sales during the Track Record Period by business segments:

	Year ended 31 December					
	2021		2022		2023	
	Cost of sales	% of total	Cost of sales	% of total	Cost of sales	% of total
	RMB'000		*RMB'000*		*RMB'000*	
Telecommunications Infrastructure Services						
Infrastructure Construction Services						
Labour procurement costs	292,047	75.3%	264,549	85.4%	391,098	85.0%
Direct labour costs	6,295	1.6%	5,392	1.7%	4,712	1.0%
Office expenses	1,762	0.5%	1,187	0.4%	1,686	0.4%
Direct material costs	1,076	0.3%	206	0.1%	–	–
Fuel expenses	88	–	185	0.1%	39	–
Others	1,476	0.4%	809	0.3%	814	0.2%
Sub-total	302,744	78.1%	272,328	88.0%	398,349	86.6%
Infrastructure Maintenance Services						
Labour procurement costs	11,980	3.1%	18,567	5.9%	20,670	4.5%
Direct labour costs	6,702	1.7%	5,736	1.9%	4,683	1.0%
Fuel expenses	1,670	0.4%	1,799	0.6%	3,101	0.7%
Office expenses	162	–	470	0.2%	101	–
Direct material costs	87	–	185	0.1%	288	0.1%
Others	167	–	583	0.2%	–	–
Sub-total	20,768	5.2%	27,340	8.9%	28,843	6.3%
Digitalisation Solution Services						
Integrated Solution Services						
Direct material costs (Hardware)	49,117	12.7%	5,939	1.9%	23,641	5.1%
Direct material costs (Software)	6,328	1.6%	1,622	0.5%	1,048	0.2%
Installation service fees	4,110	1.1%	–	–	917	0.2%
Technical service fees	2,566	0.7%	–	–	2,535	0.5%
Others	640	0.2%	12	–	59	0.0%
Sub-total	62,761	16.3%	7,573	2.4%	28,200	6.0%
System Maintenance Services						
Technical service fees	1,651	0.4%	1,651	0.5%	291	0.1%
Others	6	–	2	–	1	–
Sub-total	1,657	0.4%	1,653	0.5%	292	0.1%
Software Solution Services						
Direct labour costs	–	–	489	0.2%	–	–
Others	–	–	70	–	92	–
Direct material costs (Software)	–	–	–	–	4,207	1.0%
Sub-total	–	–	559	0.2%	4,299	1.0%
Total	**387,930**	**100.0%**	**309,453**	**100.0%**	**459,982**	**100.0%**

The Group's labour procurement costs was not only the largest component of its overall cost of sales but also was the largest component of its cost of sales for the sub-segments comprising its Telecommunications Infrastructure Services business segment during the Track Record Period. For the years ended 31 December 2021, 2022 and 2023, the labour procurement costs for the Group's Infrastructure Construction Services and Infrastructure Maintenance Services business sub-segments, accounted for approximately 96.5%, 97.1% and 98.2%, and 57.7%, 67.9% and 71.7% of the cost of sales for each of the aforementioned business sub-segments respectively. In general, Telecommunications Infrastructure Services projects are labour intensive, particularly for Infrastructure Construction Services projects where the principal type of work involved is base station and auxiliary facilities engineering services or power grid connection services. In order to streamline its operations and focus on more complex work such as project management and quality control, the Group engaged labour suppliers to take up substantial labour intensive works during the Track Record Period. This strategic move allowed the Group to optimise its resources and concentrate on its core competencies. By delegating the labour intensive tasks to labour suppliers, the Group could enhance its efficiency and productivity, while ensuring that all works were completed to meet the customers' standards. This approach enables the Group to better meet the needs of its customers and continue to thrive in a competing market.

While the Group's direct material costs during the Track Record Period was substantially less than its labour procurement costs, it represented the largest component of the Group's cost of sales for its Digitalisation Solution Services business segment. For the years ended 31 December 2021, 2022 and 2023, the Group's direct material costs accounted for approximately 86.1%, 77.3% and 88.1% of the cost of sales for its Digitalisation Solution Services business segment, respectively. Hardware and software are integral to any digitalisation solution and hence accounted for a significant portion of the cost of sales. The direct material costs was not substantial in the Telecommunications Infrastructure Services business segment, since the substantial part of the direct material applied to its Telecommunications Infrastructure Services projects was supplied by its labour suppliers and the relevant material costs were included in the labour procurement costs.

Gross profit and gross profit margin

The following table sets out a breakdown of the Group's gross profit and gross profit margin during the Track Record Period by business segments:

	Year ended 31 December					
	2021		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000		*RMB'000*		*RMB'000*	
Telecommunications Infrastructure Services						
– Infrastructure Construction Services	41,887	12.2%	36,948	12.0%	65,018	14.0%
– Infrastructure Maintenance Services	4,392	17.5%	5,884	17.7%	9,147	24.1%
Sub-total	46,279	12.5%	42,832	12.5%	74,165	14.8%
Digitalisation Solution Services						
– Integrated Solution Services	44,603	41.5%	2,575	25.4%	13,059	31.7%
– System Maintenance Services	306	15.6%	391	19.1%	178	37.9%
– Software Solution Services	–	–	57,840	99.0%	61,917	93.5%
Sub-total	44,909	41.1%	60,806	86.1%	75,154	69.6%
Total gross profit and overall gross profit margin	**91,188**	**19.0%**	**103,638**	**25.1%**	**149,319**	**24.5%**

The Group's gross profit for the years ended 31 December 2021, 2022 and 2023 was approximately RMB91.2 million, RMB103.6 million and RMB149.3 million, respectively and its gross profit margin for the corresponding years was approximately 19.0%, 25.1% and 24.5%, respectively.

The Group's gross profit was largely contributed by its Infrastructure Construction Services business sub-segment and Digitalisation Solution Services business segment, which in aggregate contributed more than 85% of the Group's total gross profit during the Track Record Period. The gross profit margin of the Group's Digitalisation Solution Services business segment was relatively higher than that of the Telecommunications Infrastructure Services business segment during the Track Record Period. The relatively higher gross profit margin of the Group's Digitalisation Solution Services projects was mainly due to the fact that (i) the cost of sales was generally lower as a result of such projects being less labour intensive and having a relatively shorter project life cycle; and (ii) the projects were generally obtained via single-source procurement and/or by responding to invitation to quote and required a higher degree of customisation by the Group thus leaving more room for the Group to charge at a higher price.

Conversely, the gross profit margin of the Group's Infrastructure Construction Services business sub-segment was generally the lowest during the Track Record Period as the projects were (i) labour intensive and (ii) mainly obtained by way of open tender which would restrict the Group's ability in setting a high tender price due to the competitive nature of open tenders as they would be made available to all of the Group's competitors. Notwithstanding the above, certain types of works of the Infrastructure Construction Services may carry relatively higher gross profit margins, though the difference will ultimately depend on a variety of factors including, the market conditions when the tender is made/awarded, location of the relevant project as well as complexity of works involved. For example, where the principal type of work required for a Infrastructure Construction Services project is wireless network equipment installation services, its gross profit margin would generally be higher than others as (i) this type of work is relatively less labour intensive, (ii) requires more skilled labour and (iii) the number of integrated service providers who possess the requisite licenses undertake projects of comparable size are comparatively less, thus the Group's competitiveness is comparatively greater. Where the principal type of work required for the project is base station and auxiliary facilities engineering services, its gross profit margins would be lower than others as (i) this type of work is highly labour intensive, (ii) only requires a limited number of skilled labour and (iii) the requisite licenses are commonly held by integrated service providers.

Telecommunications Infrastructure Services

The gross profit margin of the Group's Telecommunications Infrastructure Services business segment remained relatively stable at approximately 12.5% and 12.5% for the year ended 31 December 2021 and 2022, respectively.

The gross profit margin of the Group's Telecommunications Infrastructure Services business segment experienced a slight increase from approximately 12.5% for the year ended 31 December 2022 to approximately 14.8% for the year ended 31 December 2023. This increase can be attributed to i) the commencement of a wireless network equipment installation project in Guangxi Zhuang Autonomous Region, which started generating revenue in the latter half of 2022; and ii) two broadband construction projects in Jiangxi Province, which started generating revenue in the early 2023, where these particular projects had a relatively higher gross profit margin primarily due to their complex nature and specialised skills required.

Digitalisation Solution Services

The gross profit margin of the Group's Digitalisation Solution Services business segment increased from approximately 41.1% for the year ended 31 December 2021 to approximately 86.1% for the year ended 31 December 2022. Such increase was mainly attributable to the Group's prioritisation of Software Solution Services projects over Integrated Solution Services projects, leading to higher gross profit margins due to minimal project costs, as most of the software applied in Software Solution Services was developed by the Group. Additionally, the Group recognised and classified the research and development costs for the software as research and development expenses, further boosting the gross profit margin. The gross profit margin of the Group's Digitalisation Solution Services business segment decreased from approximately 86.1% for the year ended 31 December 2022 to approximately 69.6% for the year ended 31 December 2023. This decrease was mainly attributed to the increased contribution of the Integrated Solution Services business sub-segment, which is a sub-segment within the Digitalisation Solution Services business segment that has a relatively lower gross profit margin.

The gross profit margin of the Group's Integrated Solution Services business sub-segment fluctuated during the Track Record Period. Specifically, it decreased from approximately 41.5% for the year ended 31 December 2021 to approximately 25.4% for the year ended 31 December 2022, but rebounded to approximately 31.7% for the year ended 31 December 2023. These fluctuations were attributable to the varying utilisation of the Group's self-developed software in the Integrated Solution Services projects during this period. In 2022, the Group had a limited number of Integrated Solution Services projects, including a relatively large digital healthcare project. However, this project contributed to a relatively low gross profit margin due to high costs associated with purchase of hardware and software from third-party suppliers. As a result, the higher cost of sales led to a decrease in the gross profit margin of the Integrated Solution Services business sub-segment compared to 2021. Nevertheless, there was an improvement in the gross profit margin of the Integrated Solution Services business sub-segment in 2023, reaching approximately 31.7%. This positive development was primarily driven by another sizable digital healthcare project. The utilisation of the Group's self-developed software in this project contributed to a higher gross profit margin. During the Track Record Period, the Group's generated limited gross profit from its System Maintenance Services business sub-segment due to its reliance on a small number of projects. Consequently, the fluctuation in the gross profit margin of this sub-segment was primarily influenced by a limited number of projects. The gross profit margin of the System Maintenance Services business sub-segment increased from approximately 15.6% for the year ended 31 December 2021 to approximately 19.1% for the year ended 31 December 2022. This increase was primarily driven by an increase in the revenue contribution of a digital healthcare project with a high gross profit margin. Further, the gross profit margin of the System Maintenance Services business sub-segment continued to improve, reaching approximately 37.9% for the year ended 31 December 2023. This increase in the gross profit margin was mainly attributed to the further increase in revenue contribution of the abovementioned digital healthcare project, coupled with the contribution from a relatively high gross profit margin reservoir project. The gross profit margin of the Group's Software Solution Services remained stable for the year ended 31 December 2022 and 2023.

Please refer to the paragraphs headed "Review of historical results of operations" in this section for analysis of the fluctuation of the Group's gross profit margin during the Track Record Period.

Other net income

The Group's other net income primarily comprised government grants and interest income during the Track Record Period. The following table sets out a breakdown of the Group's other net income during the Track Record Period:

	Year ended 31 December					
	2021		2022		2023	
	Amount	% of total	Amount	% of total	Amount	% of total
	RMB'000		*RMB'000*		*RMB'000*	
Government grants	3,254	55.6%	869	18.3%	3,248	64.7%
Interest income from financing component	2,043	34.9%	3,016	63.5%	1,354	27.0%
Rental income from investment property	642	11.0%	642	13.5%	642	12.8%
Bank deposit interest income	112	1.9%	119	2.5%	180	3.6%
(Loss)/gain on disposal of property, plant and equipment	(25)	(0.4%)	(103)	(2.2%)	2	–
Net foreign exchange gain/(loss)	–	–	344	7.2%	(732)	(14.6%)
Share of profits of associates	–	–	–	–	74	1.5%
Others	(176)	(3.0%)	(137)	(2.8%)	250	5.0%
Total	**5,850**	**100.0%**	**4,750**	**100.0%**	**5,018**	**100.0%**

Government grants granted to the Group was a non-recurring income which was mainly (i) in recognition of the Group's efforts in reducing corporate costs and optimising development environment, (ii) in support for Zhonggan Communication's previous A-Share listing plan and equity financing activities, (iii) in recognition of the Group's contribution to the development of high tech industries in Nanchang and (iv) as subsidies for the Group's research and development activities, during the Track Record Period. The government grants were provided to the Group based on (i) the Group's eligibility for the government grant through an internal verification process conducted by the government authorities, confirming that the Group met the criteria for receiving the government grant; and (ii) the government policies aimed at granting subsidies to companies in specific industries. Government grants accounted for approximately 55.6%, 18.3% and 64.7%, respectively, of the Group's other net income for the years ended 31 December 2021, 2022 and 2023.

The Group's interest income from financing component is an income arising from the agreement that provides a significant financing benefit to its customer for more than 12 months. It is recognised separately from the Group's revenue using the effective interest method. During the Track Record Period, it generally fluctuated along with the amortised cost of the trade receivables of the Group's five Integrated Solution Services projects, where there would be a period of more than one year would elapse between the satisfactory performance of the Group's obligation and the settlement of payment for that performance obligation in accordance with the terms of the agreements. Interest income from financing component accounted for approximately 34.9%, 63.5% and 27.0%, respectively of the Group's other net income for the years ended 31 December 2021, 2022 and 2023.

Selling expenses

The Group's selling expenses primarily comprised tender related fees, entertainment expenses and staff costs during the Track Record Period. The following table sets out a breakdown of the Group's selling expenses during the Track Record Period:

	Year ended 31 December					
	2021		2022		2023	
	Amount	% of total	Amount	% of total	Amount	% of total
	RMB'000		*RMB'000*		*RMB'000*	
Entertainment expenses	1,822	35.8%	1,071	31.1%	1,009	30.6%
Tender related fees	1,612	31.7%	1,448	42.1%	1,308	39.7%
Staff costs	869	17.1%	501	14.6%	733	22.2%
Travel expenses	370	7.3%	34	1.0%	59	1.8%
Depreciation	248	4.9%	136	4.0%	30	0.9%
Office expenses	105	2.1%	57	1.7%	29	0.9%
Others	54	1.1%	189	5.5%	130	3.9%
Total	**5,080**	**100.0%**	**3,436**	**100.0%**	**3,298**	**100.0%**

Entertainment expenses mainly represented expenses incurred for the cost of meals provided to the Group's customers. For the years ended 31 December 2021, 2022 and 2023, the Group incurred entertainment expenses of approximately RMB1.8 million, RMB1.1 million and RMB1.0 million, accounting for approximately 35.8%, 31.1% and 30.6%, respectively, of the Group's total selling expenses.

Tender related fees mainly represented service fees paid to third party agents engaged by the Group's customers when the Group won the tenders in the tendering process. For the years ended 31 December 2021, 2022 and 2023 the Group incurred tender related fees of approximately RMB1.6 million, RMB1.4 million and RMB1.3 million, accounting for approximately 31.7%, 42.1% and 39.7%, respectively, of the Group's total selling expenses.

Staff costs mainly comprised salaries, discretionary bonus, allowance and contributions to defined contribution retirement plan incurred for the Group's sales and marketing staff. For the years ended 31 December 2021, 2022 and 2023, the staff costs incurred by the Group was relatively stable and amounted to approximately RMB0.9 million, RMB0.5 million and RMB0.7 million, accounting for approximately 17.1%, 14.6% and 22.2%, respectively, of the Group's total selling expenses.

Administrative expenses

The Group's administrative expenses primarily comprised staff costs, credit impairment losses, **[REDACTED]** and professional service and consulting fees during the Track Record Period. The following table sets out a breakdown of the Group's administrative expenses during the Track Record Period:

	Year ended 31 December					
	2021		2022		2023	
	Amount	% of total	Amount	% of total	Amount	% of total
	RMB'000		*RMB'000*		*RMB'000*	
Staff costs	6,548	32.2%	6,711	20.3%	7,324	19.0%
Credit impairment losses	3,759	18.5%	10,843	32.8%	11,694	30.3%
Professional service and consulting fees	2,091	10.3%	1,649	5.0%	924	2.4%
Entertainment expenses	1,284	6.3%	2,101	6.4%	3,178	8.3%
Depreciation	1,271	6.2%	1,313	4.0%	1,230	3.2%
Office expenses	1,253	6.2%	987	3.0%	1,884	4.9%
Finance administrative expenses	1,180	5.8%	683	2.1%	460	1.2%
Travel expenses	1,028	5.1%	231	0.7%	395	1.0%
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Motor vehicle expenses	376	1.8%	187	0.6%	59	0.2%
Others	1,004	4.9%	1,686	5.1%	2,760	7.2%
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Staff costs mainly comprised salaries, discretionary bonus, allowance and contributions paid to defined contribution plans for the Group's management, finance and administrative staff. For the years ended 31 December 2021, 2022 and 2023, the Group incurred staff costs of approximately RMB6.5 million, RMB6.7 million and RMB7.3 million, accounting for approximately 32.2%, 20.3% and 19.0%, respectively, of the Group's total administrative expenses. The increase in staff costs was mainly due to the increase in number of management, finance and administrative employees. As at 31 December 2021, 2022 and 2023, the Group's total number of management, finance and administrative employees was 49, 43 and 48, respectively.

Credit impairment losses represented the expected credit losses on trade and other receivables and contract assets for which the Group would conduct an impairment analysis at the end of each year during the Track Record Period using a provision matrix to measure their expected credit losses. For the years ended 31 December 2021, 2022 and 2023, the credit impairment losses of the Group amounted to approximately RMB3.8 million, RMB10.8 million and RMB11.7 million, accounting for approximately 18.5%, 32.8% and 30.3%, respectively, of the Group's total administrative expenses. The following table sets out the details of impairment losses on trade and other receivables and contract assets during the Track Record Period:

Professional service and consulting fees mainly represented the professional fees incurred in respect of Zhonggan Communication's previous A-share listing plan and the operation advisory fee. For the years ended 31 December 2021, 2022 and 2023, the professional service and consulting fees incurred by the Group amounted to approximately RMB2.1 million, RMB1.6 million and RMB0.9 million, accounting for approximately 10.3%, 5.0% and 2.4%, respectively, of the Group's total administrative expenses.

For the years ended 31 December 2021, 2022 and 2023, the **[REDACTED]** incurred by the Group amounted to approximately **[REDACTED]**, **[REDACTED]** and **[REDACTED]**, accounting for approximately **[REDACTED]**, **[REDACTED]** and **[REDACTED]**, respectively, of the Group's total administrative expenses.

	Year ended 31 December					
	2021		2022		2023	
	Amount	% of total	Amount	% of total	Amount	% of total
	RMB'000		*RMB'000*		*RMB'000*	
Impairment losses on						
– Trade receivables	3,165	84.2%	8,373	77.2%	12,426	106.3%
– Other receivables	496	13.2%	978	9.0%	426	3.6%
– Contract assets	98	2.6%	1,491	13.8%	(1,158)	(9.9%)
Total	**3,759**	**100.0%**	**10,842**	**100.0%**	**11,694**	**100.0%**

The increase in the Group's impairment losses during the Track Record Period was generally in line with the increase in the balance of trade and other receivables and contract assets. The Group experienced a significant increase in impairment losses on trade receivables for the year ended 31 December 2022 compared to the previous year. This was primarily due to substantial impairment losses incurred for trade receivables associated with five Integrated Solution Services projects, resulting from the extension of payment terms. The Group reported a reversal of impairment losses on contract assets for the year ended 31 December 2023 amounted to approximately RMB1.2 million. The reversal was primarily driven by a decrease in the balance of contract assets related to projects' retention money as at 31 December 2023, compared to the previous year.

Research and development expenses

The Group's research and development expenses mainly comprised outsourcing fees and staff costs of the Group's research and development staff during the Track Record Period. The following table sets out a breakdown of the Group's research and development expenses during the Track Record Period:

	Year ended 31 December					
	2021		2022		2023	
	Amount	% of total	Amount	% of total	Amount	% of total
	RMB'000		*RMB'000*		*RMB'000*	
Outsourcing fees	8,959	46.7%	5,484	31.0%	14,585	56.4%
Staff costs	8,660	45.1%	10,400	58.8%	10,836	41.9%
Depreciation	6	0.0%	–	–	–	–
Material and design costs	–	–	–	–	19	0.1%
Others	1,583	8.2%	1,796	10.2%	433	1.6%
Total	**19,208**	**100.0%**	**17,680**	**100.0%**	**25,873**	**100.0%**

The staff costs mainly represented salaries, discretionary bonus, allowance and contributions to defined contribution plans paid to the staff of the Group's research and development team and outsourcing fees mainly represented the fees paid to third party programmers for software development services. For the years ended 31 December 2021, 2022 and 2023, the Group's staff costs accounted for approximately 45.1%, 58.8% and 41.9% while the Group's outsourcing fees accounted for approximately 46.7%, 31.0% and 56.4% of its research and development expenses, respectively. During the Track Record Period, the Group strived to expand its in-house research and development capabilities, in particular for the development of technologies to be applied for its Digitalisation Solution Services business segment.

Finance costs

The Group's finance costs mainly comprised interest on bank borrowings during the Track Record Period. The following table sets out a breakdown of the Group's finance costs during the Track Record Period:

	Year ended 31 December					
	2021		2022		2023	
	Amount	% of total	Amount	% of total	Amount	% of total
	RMB'000		*RMB'000*		*RMB'000*	
Interest on bank borrowings	10,920	95.1%	15,093	98.4%	16,660	99.9%
Interest on financing component	552	4.8%	234	1.5%	7	–
Interest on lease liabilities	8	0.1%	5	0.1%	15	0.1%
Total	**11,480**	**100.0%**	**15,332**	**100.0%**	**16,682**	**100.0%**

The changes in the Group's finance costs during the Track Record Period were primarily driven by fluctuations of the Group's interest on bank borrowings, which were generally affected by the Group's average balance of short-term borrowings and interest rates thereon during the years.

For details relating to the Group's bank borrowings, please refer to the paragraph headed "Indebtedness" in this section.

Income tax

The Group's income tax comprised current tax and movements in deferred tax assets and liabilities. Current tax is an expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Under the EIT Law, the Group's PRC subsidiaries are subject to an income tax at the statutory rate of 25%. The PRC Enterprise Income Tax Law allows enterprises to apply for certificate of High and New Technology Enterprise*（高新技術企業）which entitles the qualified companies to a preferential income tax rate of 15%, subject to fulfilment of the recognition criteria. Zhonggan Communication initially qualified as a High and New Technology Enterprise in 2015 and the qualification was subsequently renewed in 2018 and 2021 and the valid period was extended to 2024. GLP Technology qualified as a High and New Technology Enterprise in 2020 and the qualification was subsequently renewed in 2023 and the valid period was extended to 2026. For the years ended 31 December 2021, 2022 and 2023, the Group's recorded income tax expenses of approximately RMB4.7 million, RMB4.0 million and RMB1.3 million and the effective tax rates were approximately 11.6%, 10.2% and 2.0%, respectively. The significant decrease in the effective tax rate for the year ended 31 December 2023, in comparison to previous years, can be primarily attributed to GLP Software's qualification as a "Double-soft Enterprise" in 2023. This qualification granted GLP Software full exemption from corporate income tax, leading to a significantly lower tax burden for the Group. As a result, the Group benefited from a considerably reduced effective tax rate during the aforementioned period.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Year ended 31 December 2022 compared to the year ended 31 December 2021

Revenue

The Group experienced a decrease in revenue of approximately RMB66.0 million or 13.8% from RMB479.1 million for the year ended 31 December 2021 to approximately RMB413.1 million for the year ended 31 December 2022. The decrease was primarily driven by the Digitalisation Solution Services business segment. For the year ended 31 December 2022, the Group prioritised Software Solution Services projects over Integrated Solution Services projects to align with customers' demand and to alleviate the need for substantial capital requirements for the purchase of hardware and equipment applied in Integrated Solution Services projects, thereby enhancing the Group's liquidity. As a result, the Group recorded a significant decrease in revenue from Integrated Solution Services, decreasing by approximately RMB97.3 million from approximately RMB107.4 million for the year ended 31 December 2021 to approximately RMB10.1 million for the year ended 31 December 2022. However, the decrease was partially offset by the increase in the number of Software Solution Services projects, resulting in a significant increase in revenue from nil for the year ended 31 December 2021 to approximately RMB58.4 million for the year ended 31 December 2022.

Also, the Group's total revenue decreased to a certain extent due to the decrease in number of Infrastructure Construction Services projects. The decrease in revenue from the Infrastructure Construction Services business sub-segment was primarily caused by the completion of a substantial portion of the provincial transmission pipeline engineering construction project in Jiangxi Province in the previous year. As a result, the revenue generated from this project decreased significantly by RMB73.1 million for the year ended 31 December 2022. However, the decrease was partially offset by the aggregate revenue of approximately RMB65.0 million generated from a transmission and wireline enhancement project in Yunnan Province.

Cost of sales

The Group's cost of sales decreased by approximately 20.2% from approximately RMB387.9 million for the year ended 31 December 2021 to approximately RMB309.5 million for the year ended 31 December 2022. The decrease was primarily due to a significant decrease in the Group's direct material costs in its Digitalisation Solution Services business segment and labour procurement costs in its Telecommunications Infrastructure Services business segment.

The Group experienced a significant decrease of approximately RMB48.7 million in direct material costs for the year ended 31 December 2022. The decrease was primarily due to the Group's prioritisation of Software Solution Services projects over Integrated Solution Services projects, taking into account the customers' demand and the limited resources available during that period. The interim measure enabled the Group to avoid occupying substantial capital requirements for the purchase of hardware for the projects. The Group's interim measure to reduce its involvement in the Integrated Solution Services projects was due to the fact that the purchase of hardware would have tied up a significant portion of its working capital, reducing its liquidity and potentially limiting its ability to carry out its new projects. As a result, the Directors considered that its prioritisation of Software Solutions Services projects would provide greater efficiencies.

Similarly, the decrease in the Group's labour procurement costs of approximately RMB20.9 million was mainly due to the completion of the significant part of the sizable provincial transmission pipeline engineering construction project in Jiangxi Province in the previous year. The decrease in demand for labour procurement resulted in a corresponding decrease in labour procurement costs in line with the revenue contributed by the Group's Infrastructure Construction Services projects.

Gross profit and Gross profit margin

The Group's total gross profit increased by approximately RMB12.5 million or 13.7% from approximately RMB91.2 million for the year ended 31 December 2021 to approximately RMB103.6 million for the year ended 31 December 2022, and the Group's overall gross profit margin increased from approximately 19.0% to approximately 25.1%.

The Group's overall gross profit margin increased primarily due to an increase in the gross profit margins of its Digitalisation Solution Services business segment. The increase reflected the Group's prioritisation of Software Solution Services projects over Integrated Solution Services projects, taking into account the customers' demand and the limited resources available during that period. This interim measure of the Group to focus on Software Solution Services projects has resulted in higher gross profit margin due to the minimal costs involved in the projects, as most of the software applied in Software Solution Services was developed by the Group. Furthermore, the Group recognised and classified the cost of research and development for the software as research and development expenses for the relevant years, which has helped to further enhance its gross profit margin.

Other net income

The Group's other net income decreased by approximately RMB1.1 million or 18.8% from approximately RMB5.9 million for the year ended 31 December 2021 to approximately RMB4.8 million for the year ended 31 December 2022. The decrease was mainly contributed by a decrease in government grants by approximately RMB2.4 million, which was offset by an increase in interest income from financing component by approximately RMB1.0 million.

Selling expenses

The Group's selling expenses decreased by approximately RMB1.6 million or 32.4% from approximately RMB5.1 million for the year ended 31 December 2021 to approximately RMB3.4 million for the year ended 31 December 2022. The decrease was primarily due to a decrease in staff costs, entertainment expenses and tender related fees. Specifically, the decrease in staff costs of approximately RMB0.4 million was mainly due to the reallocation of certain marketing staffs to the project management team, resulting in the corresponding staff costs being treated as cost of sales in 2022. The decrease in entertainment expenses of approximately RMB0.8 million was mainly due to the implementation of enhanced cost control measures in 2022 as well as a decrease in marketing activities necessitated by the COVID-19 pandemic. Similarly, the decrease in tender related fees of approximately RMB0.2 million was mainly due to a decrease in the number of successful tenders resulting from the slowdown of tendering process by its clients resulting from the impact of the COVID-19 pandemic.

Administrative expenses

The Group's administrative expenses increased by approximately RMB12.6 million or 62.1% from approximately RMB20.4 million for the year ended 31 December 2021 to approximately RMB33.0 million for the year ended 31 December 2022. The increase was primarily due to an increase in credit impairment losses and **[REDACTED]**. Specifically, the increase in credit impairment losses of approximately RMB7.1 million was mainly due to the continuous increase in the balance of trade receivables and contract assets. Further, the increase in **[REDACTED]** of approximately RMB6.1 million was mainly due to incurrence of additional professional fees related to the **[REDACTED]**.

Research and development expenses

The Group's research and development expenses decreased slightly by approximately RMB1.5 million or 8.0% from approximately RMB19.2 million for the year ended 31 December 2021 to approximately RMB17.7 million for the year ended 31 December 2022. The decrease was primarily due to a decrease in outsourcing fees for research and development of approximately RMB3.5 million, which was mainly due to a decrease in the scale of research and development projects outsourced compared to the previous year. However, the decrease was partially offset by an increase in the staff costs of the Group's research and development team of approximately 20.1%, which was mainly due to the Group's intention to enhance its self-development capability.

Finance costs

The Group's finance costs increased by approximately RMB3.9 million or 33.6% from RMB11.5 million for the year ended 31 December 2021 to approximately RMB15.3 million for the year ended 31 December 2022. The increase was primarily due to an increase in interest on bank borrowings, resulting from an increase in the average bank borrowing balance in 2022.

Income tax

The Group's income tax decreased by approximately RMB0.8 million or 16.5% from approximately RMB4.7 million for the year ended 31 December 2021 to approximately RMB4.0 million for the year ended 31 December 2022. The decrease was primarily due to a decrease in profit before taxation by approximately 4.8% compared to the previous year.

Profit for the year and net profit margin

As a result of the foregoing, the Group's net profit decreased by approximately RMB1.2 million or 3.3% from approximately RMB36.2 million for the year ended 31 December 2021 to approximately RMB35.0 million for the year ended 31 December 2022. The Group's net profit margin increased from approximately 7.5% for the year ended 31 December 2021 to approximately 8.5% for the year ended 31 December 2022, mainly due to the increase in the Group's overall gross profit margin from approximately 19.0% to approximately 25.1%, and offset by the increase in administrative expenses of approximately RMB12.6 million.

Year ended 31 December 2023 compared to the year ended 31 December 2022

Revenue

The Group experienced a significant increase in revenue of approximately RMB196.2 million or 47.5% from RMB413.1 million for the year ended 31 December 2022 to approximately RMB609.3 million for the year ended 31 December 2023. The growth can be attributed to both the Telecommunications Infrastructure Services business segment and the Digitalisation Services business segment. In 2023, there was an uptick in work orders placed by customers for the Infrastructure Construction Services projects, following the lifting of restrictions imposed by the COVID-19 pandemic. Moreover, the progress of the Infrastructure Construction Services projects accelerated, leading to increased revenue recognition for the Group in this business sub-segment. The combined effect of heightened work orders and improved project progress facilitated the revenue growth for the Group's Infrastructure Construction Services business sub-segment for the year ended 31 December 2023. The growth observed in the Digitalisation Solution Services business segment was primarily driven by an increase in the number of Integrated Solution Services projects and Software Solution Services projects. This expansion resulted in a significant increase in revenue from approximately RMB70.6 million for the year ended 31 December 2022 to approximately RMB107.9 million for the year ended 31 December 2023.

Cost of sales

The Group's cost of sales increased significantly by approximately RMB150.5 million or 48.6% from approximately RMB309.5 million for the year ended 31 December 2022 to approximately RMB460.0 million for the year ended 31 December 2023. The increase was primarily due to a significant increase in the Group's labour procurement costs in its Telecommunications Infrastructure Services business segment and direct material costs in its Integrated Solution Services business sub-segment. The increase in the Group's labour procurement costs was generally in line with the increase in revenue contributed by the Group's Infrastructure Construction Services projects. The increase in direct material costs (hardware) of the Integrated Solution Services business sub-segment for the year ended 31 December 2023 was primarily due to the fact that more hardware was used for implementation of its Integrated Solution Services projects. The increase in demand for direct material costs (hardware) of the Integrated Solution Services business sub-segment was generally in line with the revenue growth of this business sub-segment.

Gross profit and Gross profit margin

The Group's total gross profit increased by approximately RMB45.7 million or 44.1% from approximately RMB103.6 million for the year ended 31 December 2022 to approximately RMB149.3 million for the year ended 31 December 2023, and the Group's overall gross profit margin decreased slightly from approximately 25.1% to approximately 24.5%. The Group's overall gross profit margin decreased primarily due to a decrease in the gross profit margins of its Digitalisation Solution Services business segment. This decrease was mainly attributed to the increased contribution of the Integrated Solution Services business sub-segment, which is a sub-segment within the Digitalisation Solution Services business segment that has a relatively lower gross profit margin.

Other net income

The Group's other net income slightly increased by approximately RMB0.2 million or 4.2% from approximately RMB4.8 million for the year ended 31 December 2022 to approximately RMB5.0 million for the year ended 31 December 2023. This increase can be primarily attributed to a combination of factors, including an increase in government grants of approximately RMB2.4 million and a decrease in interest income from financing components of approximately RMB1.7 million.

Selling expenses

The Group's selling expenses amounted to approximately RMB3.3 million for the year ended 31 December 2023, remaining stable compared to the amount for the year ended 31 December 2022.

Administrative expenses

The Group's administrative expenses increased by approximately RMB5.5 million or 16.6% from approximately RMB33.0 million for the year ended 31 December 2022 to approximately RMB38.5 million for the year ended 31 December 2023. The increase was primarily due to an increase in **[REDACTED]** and entertainment expenses. Specifically, the increase in **[REDACTED]** of approximately RMB2.0 million was mainly due to incurrence of additional professional fees related to the **[REDACTED]**. Further, the increase in entertainment expenses of approximately 1.1 million which is in line with the growth the Group's businesses.

Research and development expenses

The Group's research and development expenses increased significantly by approximately RMB8.2 million or 46.3% from approximately RMB17.7 million for the year ended 31 December 2022 to approximately RMB25.9 million for the year ended 31 December 2023. The increase was primarily due to an increase in outsourcing fees for research and development of approximately RMB9.1 million, which was partially offset by a decrease in other research and development expenses of approximately RMB1.4 million. The increase in outsourcing fee was mainly due to an increase in the scale of research and development projects outsourced compared to the previous year.

Finance costs

The Group's finance costs increased by approximately RMB1.4 million or 9.2% from RMB15.3 million for the year ended 31 December 2022 to approximately RMB16.7 million for the year ended 31 December 2023. The increase was primarily due to an increase in interest on bank borrowings, resulting from an increase in the average bank borrowing balance in 2023.

Income tax

The Group's income tax decreased by approximately RMB2.6 million or 65.6% from approximately RMB4.0 million for the year ended 31 December 2022 to approximately RMB1.3 million for the year ended 31 December 2023. The decrease was primarily due to the fact that GLP Software was qualified as "Double-soft Enterprise" in 2023 to enjoy full exemption from corporate income tax during the year.

Profit for the year and net profit margin

As a result of the foregoing, the Group's net profit increased by approximately RMB33.6 million or 96.0% from approximately RMB35.0 million for the year ended 31 December 2022 to approximately RMB68.7 million for the year ended 31 December 2023. The Group's net profit margin increased from approximately 8.5% for the year ended 31 December 2022 to approximately 11.3% for the year ended 31 December 2023. The increase in net profit margin can be primarily attributed to the decrease in the effective tax rate resulting from GLP Software's qualification as a "Double-soft Enterprise" in 2023, leading to a full exemption from its corporate income tax. This favorable tax treatment positively impacted the Group's net profit margin, allowing for a higher portion of revenue to contribute towards the Group's net profit.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, the Group principally funded its working capital and other liquidity requirements through a combination of cash inflow from its operations and bank borrowings.

Cash flows

The following table sets out a summary of the Group's consolidated statements of cash flows for the Track Record Period, extracted from the Accountants' Report in Appendix I to this document.

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Operating cash flow before changes in working capital	58,077	67,155	100,481
Changes in working capital	(67,896)	(100,719)	(42,250)
Cash (used in)/generated from operations	(9,819)	(33,564)	58,231
Income tax paid	(2,427)	(3,123)	(9,793)
Net cash (used in)/generated from operating activities	**(12,246)**	**(36,687)**	**48,438**
Net cash used in investing activities	**(7,497)**	**(8,404)**	**(706)**
Net cash generated from/(used in) financing activities	**50,604**	**73,887**	**(34,807)**
Net increase in cash and cash equivalents during the year	30,861	28,796	12,925
Cash and cash equivalents at the beginning of the year	8,989	39,850	68,646
Effect of foreign exchange	–	–	(31)
Cash and cash equivalents at the end of the year	**39,850**	**68,646**	**81,540**

Operating activities

The Group's net cash used in operating activities for the year ended 31 December 2021 was approximately RMB12.2 million and was primarily attributable to its profit before tax of approximately RMB40.9 million as adjusted for non-cash and non-operating items of approximately RMB17.2 million, net cash outflows from changes in working capital of approximately RMB67.9 million and income tax paid of approximately RMB2.4 million. Adjustments for non-cash and non-operating items primarily included interest expenses of approximately RMB10.9 million, depreciation charges of approximately RMB2.6 million and impairment losses recognised of approximately RMB3.8 million. Net cash outflows from changes in working capital primarily resulted from increase in contract assets of approximately RMB73.8 million and increase in non-current trade and other receivables of approximately RMB21.6 million, as a result of the growth of the Group's business, and was partially offset by the increase in trade and other payables of approximately RMB100.8 million, as a result of the growth of the Group's business.

The Group's net cash used in operating activities for the year ended 31 December 2022 was approximately RMB36.7 million and was primarily attributable to its profit before tax of approximately RMB38.9 million as adjusted for non-cash and non-operating items of approximately RMB28.2 million, net cash outflows from changes in working capital of approximately RMB100.7 million and income tax paid of approximately RMB3.1 million. Adjustments for non-cash and non-operating items primarily included interest expenses of approximately RMB15.1 million, depreciation charges of approximately RMB2.3 million and impairment losses recognised of approximately RMB10.8 million. Net cash outflows from changes in working capital primarily resulted from (i) increase in contract assets of approximately RMB27.7 million, as a result of the delay of final inspections conducted by the Group's customers, (ii) increase in trade and other receivables of approximately RMB17.2 million as a result of the delayed settlement of customers' account, and (iii) decrease in trade and other payables of approximately RMB6.0 million, which was in line with the decrease in the Group's revenue.

The Group's net cash generated in operating activities for the year ended 31 December 2023 was approximately RMB48.4 million and was primarily attributable to its profit before tax of approximately RMB70.0 million as adjusted for non-cash and non-operating items of approximately RMB30.5 million, net cash inflows from changes in working capital of approximately RMB42.3 million and income tax paid of approximately RMB9.8 million. Adjustments for non-cash and non-operating items primarily included depreciation charges of approximately RMB2.3 million and interest expenses of approximately RMB16.7 million. Net cash outflows from changes in working capital primarily resulted from increase in contract assets of approximately RMB186.0 million and the increase in non-current trade receivables of approximately RMB11.9 million, which was generally in line with growth of the Group's business, and was partially offset by decrease in trade and other payables of approximately RMB120.0 million, which was generally in line with the growth of the Group's businesses.

Investing activities

The Group's net cash used in investing activities for the year ended 31 December 2021 was approximately RMB7.5 million and was primarily attributable to the combined effects of cash outflows of approximately RMB7.6 million resulting from payments for the purchase of property, plant and equipment which was offset by cash inflows of approximately RMB0.1 million from interest income received.

The Group's net cash used in investing activities for the year ended 31 December 2022 was approximately RMB8.4 million and was primarily attributable to the combined effects of cash outflows of approximately RMB8.5 million resulting from payments for the purchase of property, plant and equipment which was offset by cash inflows of approximately RMB0.1 million from interest income received.

The Group's net cash used in investing activities for the year ended 31 December 2023 was approximately RMB0.7 million and was primarily attributable to the combined effects of cash outflows of approximately RMB0.9 million resulting from payments for the purchase of property, plant and equipment which was offset by cash inflows of approximately RMB0.2 million from interest income received.

Financing activities

The Group's net cash generated from financing activities for the year ended 31 December 2021 was approximately RMB50.6 million and was primarily attributable to the combined effects of cash inflows from bank borrowings of approximately RMB311.0 million, which was offset by cash outflows from (i) repayment of bank borrowings of approximately RMB205.0 million, (ii) share repurchases of approximately RMB41.6 million and (iii) interest payments of approximately RMB13.2 million.

The Group's net cash generated from financing activities for the year ended 31 December 2022 was approximately RMB73.9 million and was primarily attributable to the combined effects of cash inflows from (i) bank borrowings of approximately RMB407.0 million and (ii) capital injections from shareholders of approximately RMB27.7 million, which was offset by cash outflows from (i) repayment of bank borrowings of approximately RMB343.0 million and (ii) interest payments of approximately RMB15.3 million.

The Group's net cash used in financing activities for the year ended 31 December 2023 was approximately RMB34.8 million and was primarily attributable to the combined effects of cash outflows from (i) repayment of bank borrowings of approximately RMB425.0 million and (ii) interest payments of approximately RMB16.4 million, which was offset by cash inflows from bank borrowings of approximately RMB397.0 million.

Net current assets

The following table sets out the Group's current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 30 April
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*
Current assets				
Inventories and other contract costs	20,295	20,195	11,240	10,808
Contract assets	513,462	539,645	726,829	701,769
Trade and other receivables	219,753	304,969	244,601	239,052
Other financial assets	6	9	34	34
Pledged bank deposits	5,281	5,366	3,193	3,193
Cash and cash equivalents	39,850	68,646	81,540	16,592
Total current assets	798,647	938,830	1,067,437	971,448

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current liabilities				
Trade and other payables	443,540	437,551	677,514	478,633
Contract liabilities	5,102	7,644	4,795	680
Lease liabilities	111	45	145	142
Bank borrowings	311,449	375,198	347,458	339,000
Current taxation	9,195	24,903	1,258	–
Total current liabilities	769,397	845,341	1,031,170	818,455
Net current assets	**29,250**	**93,489**	**36,267**	**152,994**

During the Track Record Period, the Group's current assets primarily comprised contract assets, trade and other receivables, and cash and cash equivalents, which collectively accounted for more than 90% of the Group's current assets during the period. Meanwhile, its current liabilities primarily comprised trade and other payables and bank borrowings, which collectively accounted for more than 95% of the Group's current liabilities during the period. The Group maintained a net current asset position throughout the Track Record Period.

The Group's net current assets increased from approximately RMB29.3 million as at 31 December 2021 to approximately RMB93.5 million as at 31 December 2022. The increase was mainly due to the increase in current assets, which outweighed the increase in current liabilities during the period. The increase in current assets was primarily driven by an increase in contract assets, trade receivables and cash and cash equivalents. The increase in contract assets and trade receivables was attributed to the growth of the Group's business and was also impacted by delayed settlement by its customers due to the prolonged inspection processes. The increase in cash and cash equivalents was mainly due to the fund raised through short-term bank borrowings. However, the increase in current liabilities was mainly due to an increase in short-term bank borrowings to enhance liquidity of the Group.

The Group's net current assets decreased from approximately RMB93.5 million as at 31 December 2022 to approximately RMB36.3 million as at 31 December 2023. The decrease was mainly due to the increase in current liabilities, which outweighed the increase in current assets during the year. The increase in current liabilities was primarily driven by a significant increase of amounts due to shareholders as a result of the inclusion of the consideration payable by Jiangxi Zhongge for the acquisition of approximately 90.1% of Zhonggan Communication's equity interest in aggregate from Mr. Liu, Ms. Tao Xiulan, Mr. Liu Dingyi, Mr. Liu Dingli and Ms. Yeung.

The Group's net current assets increased from approximately RMB36.3 million as at 31 December 2023 to approximately RMB153.0 million as at 30 April 2024. The major reason was that in early 2024, the shareholders of Zhonggan Communication provided approximately RMB127.7 million as a gift in order to facilitate the transfer payment from Jiangxi Zhongge to the relevant shareholders as part of the Reorganisation. As at the 30 April 2024, approximately RMB127.7 million of the amounts due to shareholders as at 31 December 2023 has been settled upon completion of the transfer payment.

WORKING CAPITAL

The Directors are of the opinion that, after due and careful enquiry by the Company and the Directors in relation to the financial resources available to the Group, particularly the funds generated internally from its operations, the availability of banking facilities and the estimated **[REDACTED]** from the **[REDACTED]**, the Group has sufficient working capital for its present requirements and for the next 12 months from the date of this document.

The Directors confirmed that there were breaches of covenants under loan agreements during the Track Record Period. As at 31 December 2021, 2022 and 2023, the agreements with respect to the Group's borrowings with Nanchang Xihu Branch of China Construction Bank Corporation which amounted to approximately RMB155.2 million, RMB155.1 million and RMB127.2 million, were subject to loan covenants relating to certain financial ratios based on the borrower's balance sheet that are commonly found in lending arrangements with financial institutions, one of which requires that the gearing ratio of the Group shall not be more than 65% for a period of three consecutive months or more. However, during the Track Record Period, the Group's gearing ratio fell short of such requirement of the loan covenant under the loan agreements. As advised by the PRC Legal Advisers, according to the terms of the loan agreements, if the Company were to breach such covenants, the relevant bank borrowings may become repayable on demand. However, according to the PRC Legal Advisers, the Company has obtained a waiver from the relevant principal bank in which the bank has confirmed that despite the breach of certain loan covenants, the Group's bank borrowings granted will remain valid for the remaining term of the bank borrowings, which are set to expire between the period from October 2024 to April 2025. Based on the above, the PRC Legal Advisers are of the view that the possibility for the relevant principal bank to demand immediate repayment of the bank borrowings by the Group is low.

Additionally, the Group is also subject to other restrictive financial loan covenants, which may be material to the Group, under its certain bank borrowings during the Track Record Period and up to 30 April 2024. These loan covenants included, among others, that (i) the current ratio of the Group shall not fall under 1.0 for a period of three consecutive months or more; (ii) the ratio of the Group's contingent liabilities relative to its net assets must not exceed 65% for a period of three consecutive months or more; and (iii) the Group must maintain profitability (i.e. net profit position) for the financial year. As at 31 December 2021, 2022 and 2023 and 30 April 2024, the Group's current ratios were approximately 1.0, 1.1, 1.0 and 1.2 times, respectively. The Group's net profit for the year/period also fulfilled the profitability requirements under the loan covenants during the Track Record Period and up to 30 April 2024. Furthermore, as confirmed by the Directors, the Group did not have any contingent liabilities during the Track Record Period and up to 30 April 2024.

In view of the above breach, the Group has implemented enhanced internal control policies to prevent the recurrence of similar incidents and to observe its compliance with the relevant restrictive financial loan covenants on an on-going basis. Such internal control policies include: (i) whenever the Group intends to obtain new bank loans, the finance department is responsible for preparing and regularly updating the financial plan, which is subject to review and approval by the head of the finance department, the chief financial officer and the chairman of the Board; and (ii) the finance department carries out an on-going monitoring process to actively monitors the Group's compliance status with the bank loans, which apply both (a) when the Group intends to obtain new bank loans, and (b) on a monthly basis. The finance department will make calculations against the requirements under the financial covenants specified in the bank loan agreements. These calculations are then subject to further review and approval by the head of the finance department and the chief financial officer. Through this monitoring process, the Directors believe that the Group can ensure on-going compliance with the financial covenants outlined in the bank loan agreements.

For further details as to the breaches of covenants, please refer to paragraph headed "Risk Factors – Risks relating to the Group's business – The Group's high level of indebtedness may persist or increase in the future" in this document.

The Directors consider the Group has ability to obtain sufficient bank borrowings for its operations and no difficulties are foreseen to secure enough funds to meet its funding needs, mainly based on (i) the Group did not have any material defaults in payment of bank borrowings during Track Record Period; (ii) the Group has established robust relationships with reputable financial institutions over time; (iii) the Group has actively pursued diversification in its funding sources, reducing its reliance on a single lender; (iv) the enhanced credibility as a listed company, which leads to greater access to obtain bank borrowings; and (v) the Group had unutilised banking facilities of approximately RMB357.7 million out of total credit lines of RMB536.0 million as at 30 April 2024.

Although the Group's unutilised banking facilities which amounted to approximately RMB357.7 million as at 30 April 2024 maintained with the Nanchang Xihu Branch of China Construction Bank Corporation contained restrictive loan covenants relating to certain financial ratios including the maximum gearing ratio as abovementioned, as the Company has obtained a waiver from the relevant principal bank which confirmed the validity of the existing banking facilities, the Directors believe that it would not restrict the Group's ability to draw down the relevant unutilised banking facilities from such bank. Such bank borrowings were already accounted as current liabilities rather than non-current liabilities, therefore the breach of certain loan covenants would not result in any accounting implication to the Group.

Measures to manage the Group's liquidity and improve its working capital position

The Directors will continue to closely monitor the Group's capital and liquidity requirements and ensure the sufficiency of the Group's working capital to operate its business in a sustainable manner. In connection with the afore, the Group has adopted certain measures including the following:

(i) the Group will prepare quarterly working capital forecasts in a timely manner that shall set out the expected cash inflows and outflows on a monthly basis which the Directors will review together with cash flow statements to enable the Group to better manage its financial resources in the near term;

(ii) the Group will prepare monthly management accounts in a timely manner and the monthly management accounts will be reviewed by the Directors and the Group's senior management and be compared with the budgets. Any material variances will be explained and followed up immediately;

(iii) the Group will continue to actively monitor the certification and payment status of its projects and customers, including conducting regular reviews of its accounts. The finance department will also prepare an aging analysis on a monthly basis for review by the Directors to ascertain if there are any long outstanding receivables and the Group will assign designated credit control officers who will regularly contact the debtors and to send payment reminders. Other follow-up actions include (a) active communications with the customers' responsible personnel for certifying completed works and processing payments; (b) cessation in processing any further orders from such customer until the overdue balance is recovered; and (c) reviewing the recoverable amount of each individual trade receivables balance at the end of each reporting period to ensure adequate impairment allowances are provided for irrecoverable amounts; and

(iv) the Group will continue to closely monitor its cash and bank balance through constantly reviewing its internal records and bank account. When any potential shortfall in its cash position is identified, the Group will strive to negotiate for earlier settlement from its customers and/or request a longer credit period from its suppliers in order to mitigate the cash flow mismatch. Further, if required, the Group will also obtain short-term borrowings to fund its capital needs.

ANALYSIS OF MAJOR COMPONENTS OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Inventories and other contract costs

The following table sets out the Group's inventories and other contract costs as at the dates indicated:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Inventories			
– Hardware	5,078	3,729	520
– Software	591	59	265
Other contract costs	14,626	16,407	10,455
Total	**20,295**	**20,195**	**11,240**

During the Track Record Period, the Group's inventories mainly comprised hardware and software which were primarily allocated for use in its Digitalisation Solution Services projects. During the implementation of its projects, particularly the Telecommunications Infrastructure Services projects, the Group incurred various costs, including labour procurement costs and direct materials costs, where the costs were temporarily capitalised as a balance sheet item, specifically other contract costs. Contract costs are recognised as part of cost of sales in the statement of profit or loss and other comprehensive income in the period in which revenue is recognised.

The Group's inventories and other contract costs remained stable at approximately RMB20.3 million and RMB20.2 million as at 31 December 2021 and 2022, respectively. The Group's inventories and other contract costs decreased from approximately RMB20.2 million as at 31 December 2022 to approximately RMB11.2 million as at 31 December 2023. The decrease was mainly attributed by a decrease in inventories and other contract costs which was primarily due to the fact that the hardware purchased and other contract costs had been converted into cost of sales according to the progress of the relevant projects.

As at the Latest Practicable Date, approximately RMB10.7 million, representing approximately 95.4% of the Group's inventories and other contract costs as at 31 December 2023 had been utilised.

Stock turnover days

The following table sets out the Group's stock turnover days during the Track Record Period:

	Year ended 31 December		
	2021	**2022**	**2023**
Stock turnover days (days)	27.0	23.9	12.5

Note: Average balance of inventories and other contract costs multiplied by number of days in that year divided by total cost of sales.

During the Track Record Period, the Group maintained a relatively low stock turnover days, primarily due to the fact that a large part of the material applied to its Telecommunications Infrastructure Services projects was supplied by its customers and labour suppliers. The Group's stock turnover days slightly decreased from approximately 27.0 days for the year ended 31 December 2021 to approximately 23.9 days for the year ended 31 December 2022. This decrease was attributed mainly to the decrease in the average balance of inventories and other contract costs in 2022 as a result of the Group's prioritisation of Software Solution Services projects over Integrated Solution Services projects. Therefore, no significant costs for hardware were incurred for the projects. The Group's stock turnover days further decreased to approximately 12.5 days for the year ended 31 December 2023, the decrease was mainly due to the fact that the hardware purchased and other contract costs had been converted into cost of sales according to the progress of the relevant projects.

Contract assets

The Group's contract assets mainly represented a conditional right to receive payment from its customers for its Telecommunications Infrastructure Services projects. The contract assets arise when the Group makes efforts or input towards the satisfaction of performance obligation under its Telecommunications Infrastructure Service projects, however, the right to receive payment from its customers is subject to the Group satisfying certain pre-agreed conditions. Upon satisfying such conditions, the contract assets will then be transferred to trade receivables. Based on the contracts between the Group and the relevant customers, the Group must have completed the relevant works required and passed the inspection and acceptance for progress payment, settlement audit for final payment and expiry of defect liability period for retention money. Thus, the transfer of the Group's contract assets to trade receivables will depend on the timing of completion of certain procedures by the customers (i.e. project inspection and acceptance and settlement audit), which may vary among different customers based on their own internal procedural requirements and other consideration. For details, please refer to paragraph headed "Business – Operation flow" in this document. The following table sets out the Group's contract assets as at the dates indicated:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Telecommunications Infrastructure Services			
Balance	514,396	537,825	728,392
Less: loss allowance	(1,503)	(2,202)	(1,957)
	512,893	535,623	726,435
Digitalisation Solution Services			
Balance	728	4,972	431
Less: loss allowance	(159)	(950)	(37)
	569	4,022	394
Total	**513,462**	**539,645**	**726,829**

The Group's contract assets were assessed for ECLs which was estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to its debtors and an assessment of both the current and forecast general economic conditions at the end of each year of the Track Record Period. The ECLs recognised for contract assets were approximately RMB1.7 million, RMB3.2 million and RMB2.0 million for the year ended 31 December 2021, 2022 and 2023, respectively.

As at the Latest Practicable Date, approximately RMB381.3 million, RMB280.4 million and RMB128.8 million, representing approximately 74.0%, 51.6%, and 17.7% of the Group's contract assets as at 31 December 2021, 2022 and 2023, respectively, had been subsequently transferred to trade receivables. The Directors are of the view that there is no significant concern regarding the recoverability of the Group's contract assets despite the relatively low percentage of subsequent conversion of its contract assets as at 31 December 2023 into trade receivables. To the best knowledge and belief of the Directors, it can be attributed to the slowdown in business activities, including the completion of inspection and acceptance procedures and/or settlement audit procedures, during the traditional slack season in the PRC including the periods before and after the Chinese New Year. As a result, the conversion of contract assets to trade receivables would be slower in the first quarter of the year, leading to a lower percentage of subsequent conversion.

The following table sets out the aging analysis of the Group's contract assets by (i) business segments and (ii) project and retention money, as at the dates indicated:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Telecommunications Infrastructure Services:			
Project money			
Within 6 months	185,066	164,805	261,407
More than 6 months but within 12 months	158,653	92,040	135,327
More than 12 months but within 18 months	91,113	95,778	92,766
More than 18 months but within 24 months	21,568	97,386	57,337
More than 24 months but within 36 months	49,158	60,235	124,046
More than 36 months but within 48 months	3,874	20,552	44,401
More than 48 months	138	714	9,768
Balance	509,571	531,510	725,052
Less: loss allowance	(444)	(996)	(1,292)
Sub-total	509,127	530,514	723,760
Retention money for projects			
Within 6 months	2,109	3,931	1,880
More than 6 months but within 12 months	2,480	1,692	1,114
More than 12 months but within 18 months	198	518	197
More than 18 months but within 24 months	17	174	150
More than 24 months but within 36 months	13	–	–
More than 36 months but within 48 months	7	–	–
More than 48 months	–	–	–
Balance	4,825	6,314	3,341
Less: loss allowance	(1,058)	(1,206)	(665)
Sub-total	3,767	5,108	2,676
Total contract assets of Telecommunications Infrastructure Services (net of loss allowance)	**512,893**	**535,623**	**726,435**

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Digitalisation Solution Services			
Project money			
Within 6 months	–	–	–
More than 6 months but within 12 months	–	–	245
More than 12 months but within 18 months	–	–	–
More than 18 months but within 24 months	–	–	–
More than 24 months but within 36 months	–	–	–
More than 36 months but within 48 months	–	–	–
More than 48 months	–	–	–
Balance	–	–	245
Less: loss allowance	–	–	–
Sub-total	–	–	245
Retention money for projects			
Within 6 months	40	4,165	–
More than 6 months but within 12 months	119	238	–
More than 12 months but within 18 months	570	–	–
More than 18 months but within 24 months	–	–	186
More than 24 months but within 36 months	–	570	–
More than 36 months but within 48 months	–	–	–
More than 48 months	–	–	–
Balance	728	4,972	176
Less: loss allowance	(159)	(950)	(37)
Sub-total	569	4,022	149
Total contract assets of Digitalisation Solution Services (net of loss allowance)	**569**	**4,022**	**394**

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Overall			
Within 6 months	187,215	172,901	263,287
More than 6 months but within 12 months	161,251	93,969	136,687
More than 12 months but within 18 months	91,881	96,296	92,963
More than 18 months but within 24 months	21,585	97,561	57,672
More than 24 months but within 36 months	49,171	60,805	124,045
More than 36 months but within 48 months	3,882	20,552	44,401
More than 48 months	138	714	9,768
Balance	515,124	542,797	728,823
Less: loss allowance	(1,662)	(3,152)	(1,994)
Total	**513,462**	**539,645**	**726,829**[(note)]

Note: As at 31 December 2023, the Group's contract assets amounted to approximately RMB726.8 million, with approximately RMB724.4 million (equivalent to approximately 99.4%), were attributed to the Big Three and the world's largest telecommunication tower infrastructure service provider.

The Group held significant contract assets aged more than 12 months, primarily representing project money and retention money from Infrastructure Construction Services projects. The extended aging was a result of prolonged inspection, acceptance, and settlement audit processes by the customers. Revenue and corresponding contract assets are recognised based on work order progress, with a portion transferred to trade receivables as progress payments after customer or its agent's inspection and acceptance, typically occurring six to 12 months after initial recognition. The remaining portion, including final payments and retention money, is transferred to trade receivables after settlement audit for final payment and expiration of the defect liability period, generally occurring 17 to 36 months and 29 to 60 months after initial recognition of the contract assets, respectively.

The following table sets out the Group's contract assets attributable to the Telecommunications Infrastructure Services undertaken by the Group breakdown by (i) pending inspection and acceptance by the relevant customers and (ii) completion of inspection and acceptance but pending issuance of VAT invoices, as at the dates indicated:

	As at 31 December			As at the Latest Practicable Date
	2021	2022	2023	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Pending inspection and acceptance				
– Project money	219,170	216,645	351,585	348,694
– Retention money of projects	4,761	4,385	21,422	1,927
Completion of inspection and acceptance but pending issuance of VAT invoices	290,465	316,795	374,387	390,673
Balance	514,396	537,825	728,393	741,294
Less: loss allowance	(1,503)	(2,202)	(1,957)	(1,701)
Total	**512,893**	**535,623**	**726,435**	**739,593**

As at the Latest Practicable Date, the Group's contract assets attributable to the Infrastructure Construction Services undertaken by the Group but pending inspection and acceptance by the relevant customers remained unbilled and not being transferred to trade receivables was mainly due to the prolonged inspection, acceptance, and settlement audit processes by the customers before the Group becomes eligible to issue VAT invoices to customers.

For the years ended 31 December 2021, 2022 and 2023, the Group recognised revenue attributable to services undertaken by the Group but pending inspection and acceptance by the relevant customers of approximately RMB152.0 million, RMB120.4 million and RMB219.3 million, respectively.

The following table sets out the movement of the Group's contract assets during the Track Record Period:

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Project money			
Balance as at 1 January	434,673	509,571	531,510
Increase during the year	402,164	378,144	536,359
Transfer to trade receivables	(327,266)	(356,205)	(342,572)
Balance	509,571	531,510	725,297
Less: loss allowance	(444)	(996)	(1,293)
	509,127	530,514	724,004
Retention money for projects			
Balance as at 1 January	6,663	5,552	11,287
Increase during the year	4,760	10,025	2,994
Transfer to trade receivables	(5,870)	(4,291)	(10,754)
Balance	5,552	11,287	3,526
Less: loss allowance	(1,217)	(2,156)	(701)
	4,335	9,131	2,825
Total	**513,462**	**539,645**	**726,829**

Contract assets turnover days

The following table sets out the Group's contract assets turnover days during Track Record Period:

	Year ended 31 December		
	2021	2022	2023
Contract assets turnover days (days)	364.3	467.4	380.9

Note: Average balance of contract assets multiplied by number of days in that year divided by total revenue.

The Group's contract assets turnover days decreased from approximately 460.4 days for the year ended 31 December 2020 to approximately 364.3 days for the year ended 31 December 2021. Such decrease was mainly due to a significant increase in the Group's revenue, resulting from the recognition of a substantial amount of revenue in respect of a sizable provincial transmission pipeline engineering construction project in 2021. However, the Group's contract assets turnover days increased from approximately 364.3 days for the year ended 31 December 2021 to approximately 467.4 days for the year ended 31 December 2022. Such increase was mainly due to (i) the decrease in revenue as a result of the prioritisation of Software Solution Services over Integrated Solution Services projects in 2022; and (ii) the decrease in revenue recognised from a sizable provincial transmission pipeline engineering construction project, as a result of a decrease in work orders placed by the respective customer in respect of that project. The Group's contract assets turnover days decreased from approximately 467.4 days for the year ended 31 December 2022 to approximately 380.9 days for the year ended 31 December 2023, the decrease was mainly due to the significant increase in the Group's revenue contributed by the growth of both Telecommunications Infrastructure Solution Services business segment and Digitalisation Solution Services business segment in 2023.

Contract liabilities

The Group's contract liabilities represented consideration received in advance from its customers for its Telecommunications Infrastructure Services projects and Digitalisation Solution Services projects, representing contract liabilities would be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. Upon achieving specified contractual milestones or fully satisfying certain performance obligation, the contract liabilities would be reclassified as revenue. The following table sets out the Group's contract liabilities as at the dates indicated:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Billings in advance	5,102	7,644	4,795

The Group's contract liabilities increased from approximately RMB5.1 million as 31 December 2021 to approximately RMB7.6 million as at 31 December 2022. The increase of the Group's contract liabilities was mainly driven by the rapid growth of its Digitalisation Solution Services business segment, since the Group may require a prepayment from its customers before commencement of projects. As at 31 December 2023, the Group recorded a decrease in contract liabilities, amounting to approximately RMB4.8 million. This decrease can be primarily attributed to a reduction in the number of Integrated Solution Services projects and Software Solution Services projects on hand compared to the previous year.

As at the Latest Practicable Date, approximately RMB4.1 million, representing approximately 85.9% of the balance of contract liabilities as at 31 December 2023 had been subsequently recognised as the Group's revenue.

Trade and other receivables

The following table sets out a summary of the Group's trade and other receivables as at the dates indicated:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	229,761	272,778	275,613
Bills receivable	–	568	–
Trade and bills receivables	229,761	273,346	275,613
Less: loss allowance	(4,818)	(13,192)	(25,618)
Trade and bills receivables, net of loss allowance	224,943	260,154	249,995
Other receivables, net of loss allowance	23,440	12,410	7,226
Deferred VAT refund	6,246	5,369	5,299
Prepayment for labour, equipment and services	5,583	30,995	6,828
Amounts due from related parties	166	12,574	109
Current tax prepayment	–	–	2,280
Total	**260,378**	**321,502**	**271,737**

Trade and bills receivables

The Group's trade and bills receivables mainly comprised receivables for the provision of Telecommunications Infrastructure Services and Digitalisation Solution Services by the Group. The Group's trade and bills receivables (net of loss allowance) amounted to approximately RMB224.9 million, RMB260.2 million and RMB250.0 million as at 31 December 2021, 2022 and 2023, respectively.

The Group's trade and bills receivables (net of loss allowance) increased by approximately 15.7% from approximately RMB224.9 million as at 31 December 2021 to approximately RMB260.2 million as at 31 December 2022, the increase was mainly contributed by the Telecommunications Infrastructure Services business segment, as a result of the delayed settlement of customers' accounts. However, despite experiencing growth in gross profit of Digitalisation Solution Services business segment for the year ended 31 December 2022, the balance of trade receivables attributed to such business segment did not increase proportionally to its growth. This was mainly due to the Group's prioritisation of Software Solution Services projects over Integrated Solution Services projects, taking into account the customers' demand and the limited resources available during that period. By focusing on Software Solution Services, the Group was able to improve its liquidity by avoiding the need for substantial capital requirements for hardware purchases associated with Integrated Solution Services projects. The contract sum of these Software Solution Services projects was relatively lower as compared to the Integrated Solution Services projects, resulting in a lower balance of sales amount and corresponding balance of trade receivables. The Group's trade and bills receivables (net of loss allowance) decreased by approximately 15.1% from approximately RMB260.2 million as at 31 December 2022 to approximately RMB250.0 million as at 31 December 2023, the decrease was mainly due to the increase in loss allowance of trade and bill receivables for Digitalisation Solution Services as a result of the extension of payment terms in relation to five Integrated Solution Services projects. These five Integrated Solution Services projects are assigned to Customer A and Customer B, with the end users comprising regulatory authorities and public institution. The payment schedule for these five projects is dependent on the timing of trade debts settlement by the end users to the Group's customers.

Following the COVID-19 pandemic, these end users faced temporary liquidity constraints, which resulted in payment delays to both Customer A and Customer B. Recognising the financial challenges faced by the end users, Customer A and Customer B initiated negotiations with the Group to discuss the possibility of extending the payment terms for these projects. Considering the long-standing business relationship and the background of Customer A and Customer B, both of which are the Big Three telecommunications network operators in the PRC and state-owned enterprises, a mutual agreement was reached between the Group and Customer A or Customer B to extend the payment terms. This agreement serves as a proactive measure to provide relief to the local government concerned and helps to meet the challenges posed by the COVID-19 pandemic.

The following table sets out the details relating to the five Integrated Solution Services projects as mentioned above:

Contract name/ Principal nature	Customer/ End user	Contract value	Revenue contribution *(Note)*	Commencement date/ Completion date	Project stage	Payment terms before payment term extension	Payment terms after payment term extension	Trade receivables and loss allowance recognised as at the end of each year during the Track Record Period
2018 HD probe integration service agreement in Nanchang/ Digital surveillance	Customer A/ Regulatory authority	RMB65.5 million	RMB56.4 million	31 December 2018/ 20 February 2019	Post-completion stage	Making payment on a quarterly basis upon the inspection and acceptance of the completed work by the end user, and upon receiving the corresponding payment from the end user	Making payment of the remaining balance of approximately RMB10.8 million before 15 June 2024	Trade receivables as at 31 December 2021: approximately RMB21.0 million 31 December 2022: approximately RMB15.9 million 31 December 2023: approximately RMB10.5 million Loss allowance as at 31 December 2021: approximately RMB34,000 31 December 2022: approximately RMB0.2 million 31 December 2023: approximately RMB0.6 million

Contract name/ Principal nature	Customer/ End user	Contract value	Revenue contribution *(Note)*	Commencement date/ Completion date	Project stage	Payment terms before payment term extension	Payment terms after payment term extension	Trade receivables and loss allowance recognised as at the end of each year during the Track Record Period
Public security surveillance project in Honggutan New District/ Digital surveillance	Customer A/ Regulatory authority	RMB33.4 million	RMB29.3 million	19 March 2021/ 31 December 2021	Post-completion stage	Making payment based on the following payment terms: 1. If the customer receives payments from the end user in each period that are equal to or greater than the payable amount as stipulated in the contract entered into between the customer and the end user, the customer will make the first payment amounted to one-sixth of the total contract value after project inspection and acceptance, and upon the customer receiving one-sixth of the total contract value from the end user. Subsequently, payments will be made every six months, with each payment amounted to one-sixth of the total contract value. 2. If the customer receives payments from the end user in each period that are less than the payable amount as stipulated in the contract entered into between the customer and the end user, the customer will make payments based on the corresponding proportion of the amount received from the end user. Once the end user completes the payment of the remaining amount, the customer will make a corresponding payment to fulfill the remaining contract value.	Making payment of the remaining balance based on the following payment schedule: 1. Make payment of approximately RMB5.8 million in September 2023 2. Make payment of approximately RMB5.8 million in March 2024 3. Make payment of approximately RMB5.8 million in September 2024 4. Make payment of approximately RMB6.3 million in March 2025	Trade receivables as at 31 December 2021: approximately RMB31.2 million 31 December 2022: approximately RMB27.3 million 31 December 2023: approximately RMB18.6 million Loss allowance as at 31 December 2021: approximately RMB27,000 31 December 2022: approximately RMB0.1 million 31 December 2023: approximately RMB0.4 million
Hospital intelligent informatisation engineering project in Linchuan District/ Digital healthcare	Customer B/ Public institution	RMB50.7 million	RMB45.0 million	1 December 2021/ 30 December 2021	Post-completion stage	Making payment upon receiving the corresponding payment from the end user according to the following payment schedule: 1. 50% of the total contract value within 10 working days after the project inspection and acceptance 2. 30% of the total contract value within 10 working days after 12 months of project inspection and acceptance 3. 10% of the total contract value within 10 working days after 24 months of project inspection and acceptance 4. 5% of the total contract value within 10 working days after 36 months of project inspection and acceptance 5. 5% of the total contract value within 10 working days after 60 months of project inspection and acceptance	Making payment of the remaining balance based on the following payment schedule: 1. Make payment of approximately RMB8.0 million in November 2023 2. Make payment of approximately RMB15.2 million in November 2024 3. Make payment of approximately RMB5.1 million in November 2025 4. Make payment of approximately RMB2.5 million in November 2026 5. Make payment of approximately RMB2.5 million in November 2027	Trade receivables as at 31 December 2021: approximately RMB49.1 million 31 December 2022: approximately RMB41.4 million 31 December 2023: approximately RMB24.9 million Loss allowance as at 31 December 2021: approximately RMB43,000 31 December 2022: approximately RMB1.9 million 31 December 2023: approximately RMB5.2 million

Contract name/ Principal nature	Customer/ End user	Contract value	Revenue contribution *(Note)*	Commencement date/ Completion date	Project stage	Payment terms before payment term extension	Payment terms after payment term extension	Trade receivables and loss allowance recognised as at the end of each year during the Track Record Period
Digital city management project (phase 1 – operation) agreement in Qingshan Lake District/ Digital surveillance	Customer B/ Regulatory authority	RMB47.1 million	RMB42.9 million	1 December 2019/ 10 December 2020	Post-completion stage	Making payment based on the following payment schedule: 1. 30% of the total contract value shall be paid within 7 working days after the initial equipment installation on the project site 2. 30% of the total contract value shall be paid within 7 working days from the date of project inspection and acceptance 3. 20% of the total contract value shall be paid after one year of the second payment 4. 10% of the total contract value shall be paid after two years of the second payment 5. 10% of the total contract value shall be paid after three years of the second payment	Making payment of the remaining balance based on the following payment schedule: 1. Make payment of approximately RMB14.1 million before May 2024 2. Make payment of approximately RMB9.4 million before December 2024 3. Make payment of approximately RMB4.7 million before December 2025 4. Make payment of approximately RMB4.7 million before December 2026	Trade receivables as at 31 December 2021: approximately RMB32.4 million 31 December 2022: approximately RMB32.7 million 31 December 2023: approximately RMB32.9 million Loss allowance as at 31 December 2021: approximately RMB28,000 31 December 2022: approximately RMB0.3 million 31 December 2023: approximately RMB2.6 million
Digital city management project (phase 1 – surveillance system integration service) agreement/ Digital surveillance	Customer B/ Regulatory authority	RMB9.8 million	RMB8.5 million	1 November 2020/ 31 January 2021	Post-completion stage	Making payment based on the following payment schedule: 1. 30% of the total contract value shall be paid within 7 working days after the initial equipment installation on the project site 2. 30% of the total contract value shall be paid within 7 working days from the date of project inspection and acceptance 3. 20% of the total contract value shall be paid after one year of the second payment 4. 10% of the total contract value shall be paid after two years of the second payment 5. 10% of the total contract value shall be paid after three years of the second payment	Making payment of the remaining balance based on the following payment schedule: 1. Make payment of approximately RMB2.9 million before May 2024 2. Make payment of approximately RMB2.0 million before December 2024 3. Make payment of approximately RMB1.0 million before December 2025 4. Make payment of approximately RMB1.0 million before December 2026	Trade receivables as at 31 December 2021: approximately RMB6.7 million 31 December 2022: approximately RMB6.8 million 31 December 2023: approximately RMB6.8 million Loss allowance as at 31 December 2021: approximately RMB0.2 million 31 December 2022: approximately RMB1.6 million 31 December 2023: approximately RMB3.4 million

Note: The differences between the contact value and the revenue contribution were mainly attributable to (i) the contract value is inclusive of taxes, while the revenue contribution is exclusive of taxes; and (ii) these five Integrated Solution Services projects underwent significant financing component adjustments, with a portion of the amount being recorded as interest income.

According to the Ipsos Report, some local governments in the PRC faced temporary liquidity constraints under the impact of the COVID-19 pandemic due to most of their resources being used for implementation of anti-epidemic measures. The end users of the five Integrated Solution Services projects abovementioned have faced temporary liquidity constraints due to the responsible allocation of local government funds towards essential precautionary measures necessitated by the COVID-19 pandemic during the relevant years. If the end users fail to make the corresponding payment to the Group's customers on time, it would indirectly impact on the Group's liquidity. However, it is crucial to emphasise that such liquidity constraints are of a temporary nature with a view to combating the COVID-19 pandemic. As such, these temporary liquidity constraints do not pose a significant threat to the long-term creditworthiness and financial stability of the end users. Save for the five Integrated Solution Services projects, the balance of long-outstanding trade receivables (overdue more than one year) (net of loss allowance) as a result of late payment also involves one public institution and two state-owned enterprises as end users. The balance of these long-outstanding trade receivables (net of loss allowance) was nil, approximately RMB2.3 million and RMB5.8 million as at 31 December 2021, 2022 and 2023, respectively, and has been fully settled as at the Latest Practicable Date.

As advised by the PRC Legal Advisers, according to the general rule of privity of contract codified in the Civil Code of the People's Republic of China (《中華人民共和國民法典》), it is explicitly stipulated that the rights and obligations arising from a contract are strictly limited to the parties directly involved in that contract. Therefore, only the contracting parties possess the authority to enforce the terms of the contract and enjoy and be bound by the related benefits and obligations. In the specific context of the Group's operations, it is evident that the Group and its customers are the sole contracting parties to their respective agreements, whereas the end users involved in these arrangements are considered third parties. In projects where long-outstanding trade receivables exist, it is important to acknowledge that the ultimate responsibility for payment rests upon the customers. Although for some of the Group's Integrated Solution Services projects, the Group may only receive payment after the end users have made the corresponding payment to the Group's customers, it should only affect the timing of payment receipts. Therefore, when assessing the possibility of recovering long-aged trade receivables, a significant factor to consider is the credibility and financial capability of the Group's customers. However, when determining the timing of recoverability for outstanding amounts of long-aged trade receivables, the credibility and financial capability of the end users in each underlying project play a major role. Considering the abovementioned reasons and that most of the customers of projects with long-outstanding trade receivables are state-owned enterprises with strong financial strength and high credibility, the Directors consider the trade receivables in respect of these projects to be recoverable.

The following table sets out the aging analysis of the Group's trade and bills receivables by (i) business segments, and (ii) progress payment, final payment and retention money, as at the dates indicated:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Telecommunications Infrastructure Services			
Progress payment			
Within 6 months	27,515	31,133	21,848
More than 6 months but within 12 months	9,766	5,441	2,697
More than 12 months but within 18 months	4,103	1,823	1,791
More than 18 months but within 24 months	340	2,917	2,281
More than 24 months but within 36 months	17	606	1,803
More than 36 months but within 48 months	23	17	221
More than 48 months	484	506	523
Balance	42,247	42,442	31,164
Less: loss allowance	(1,647)	(2,759)	(3,689)
Sub-total	40,600	39,683	27,475
Final payment			
Within 6 months	29,751	25,868	30,318
More than 6 months but within 12 months	1,989	6,690	11,711
More than 12 months but within 18 months	727	368	1,219
More than 18 months but within 24 months	311	505	178
More than 24 months but within 36 months	390	522	138
More than 36 months but within 48 months	–	390	428
More than 48 months	2	2	392
Balance	33,170	34,345	44,384
Less: loss allowance	(721)	(1,405)	(2,148)
Sub-total	32,449	32,940	42,236
Retention money for projects			
Within 6 months	–	–	–
More than 6 months but within 12 months	–	27	234
More than 12 months but within 18 months	1,764	801	978
More than 18 months but within 24 months	1,721	1,056	490
More than 24 months but within 36 months	969	1,741	1,343
More than 36 months but within 48 months	10	525	1,456
More than 48 months	–	10	525
Balance	4,464	4,159	5,026
Less: loss allowance	(1,786)	(1,664)	(2,011)
Sub-total	2,678	2,496	3,015
Total trade and bills receivables of Telecommunications Infrastructure Services (net of loss allowance)	**75,727**	**75,119**	**72,726**

Note: The amount is less than RMB500.

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Digitalisation Solution Services			
Progress payment			
Within 6 months	–	–	–
More than 6 months but within 12 months	–	–	–
More than 12 months but within 18 months	–	–	–
More than 18 months but within 24 months	–	–	–
More than 24 months but within 36 months	–	–	–
More than 36 months but within 48 months	–	–	–
More than 48 months	–	–	–
Balance	–	–	–
Less: loss allowance	–	–	–
Sub-total	–	–	–
Final payment			
Within 6 months	131,456	142,203	68,503
More than 6 months but within 12 months	10,258	25,059	73,492
More than 12 months but within 18 months	4,509	16,137	33,295
More than 18 months but within 24 months	–	8,820	10,599
More than 24 months but within 36 months	3,554	–	5,745
More than 36 months but within 48 months	–	–	–
More than 48 months	–	–	–
Balance	149,776	192,219	191,634
Less: loss allowance	(623)	(7,292)	(16,409)
Sub-total	149,153	184,927	175,225
Retention money for projects			
Within 6 months	–	–	1,823
More than 6 months but within 12 months	104	22	–
More than 12 months but within 18 months	–	40	872
More than 18 months but within 24 months	–	119	22
More than 24 months but within 36 months	–	–	119
More than 36 months but within 48 months	–	–	570
More than 48 months	–	–	–
Balance	104	180	3,404
Less: loss allowance	(41)	(72)	(1,362)
Sub-total	62	108	2,042
Total trade and bills receivables of Digitalisation Solution Services (net of loss allowance)	**149,216**	**185,035**	**177,267**

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Overall			
Within 6 months	188,722	199,205	120,668
More than 6 months but within 12 months	22,117	37,239	88,135
More than 12 months but within 18 months	11,103	19,168	39,978
More than 18 months but within 24 months	2,371	13,415	13,570
More than 24 months	5,448	4,319	13,262
	229,761	273,346	275,613
Less: loss allowance	(4,818)	(13,192)	(25,618)
Total	**224,943**	**260,154**	**249,995**

The Group's trade and bills receivables were assessed for ECLs which was estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to its debtors and an assessment of both the current and forecast general economic conditions at the end of each of the Track Record Period. The loss allowance for trade and bills receivables were approximately RMB4.8 million and RMB13.2 million as at 31 December 2021 and 2022, respectively. The increase in the loss allowance as at 31 December 2021 and 2022 was generally in line with the increase in the balance of the Group's trade and bills receivables. The Group's loss allowance for trade and bills receivables increased from approximately RMB13.2 million as at 31 December 2022 to approximately RMB25.6 million as at 31 December 2023, which was mainly attributed to the increase in loss allowance of five Integrated Solution Services projects.

The outstanding trade receivables that are aged more than 12 months was mainly attributed to five Integrated Solution Services projects involving Customer A and Customer B, both of which experienced payment delays by the end users (including regulatory authorities and public institution) who faced temporary liquidity constraints due to the impact of the COVID-19 pandemic. In response, the Group and the respective customers collaboratively negotiated extended payment terms that accounts for the prevailing circumstances, and consequently, payment term extensions have arisen in relation to these five projects.

As at the Latest Practicable Date, approximately RMB158.4 million, RMB174.7 million and RMB76.6 million, representing approximately 68.9%, 64.0%, and 27.8% of the balance of trade and bill receivables as at 31 December 2021, 2022 and 2023, respectively, had been subsequently settled. The Directors are of the view that there is no significant concern regarding the recoverability of the Group's trade and bill receivables despite the relatively low percentage of subsequent settlement for its trade and bill receivables as at 31 December 2023. To the best knowledge and belief of the Directors, it is mainly due to the settlement practices of the customers, who tend to settle a significant portion of their trade debts during the period falling one to two months before the Chinese New Year, which coincides with the year-end of the Group. As a result, the proportion of trade and bill receivables that are settled during the period subsequent to the Group's year-end is relatively low.

Trade receivables turnover days

The following table sets out the Group's trade receivables turnover days during Track Record Period:

	Year ended 31 December		
	2021	2022	2023
Trade receivables turnover days (days)	139.3	222.3	164.4

Note: Average balance of trade receivables multiplied by number of days in that year divided by total revenue.

The Group's trade receivables turnover days increased from approximately 139.3 days for the year ended 31 December 2021 to approximately 222.3 days for the year ended 31 December 2022. Such increase was mainly due to the decrease in revenue as a result of (i) the prioritisation of Software Solution Services over Integrated Solution Services projects in 2022; and (ii) the decrease in work orders placed by the customer for a sizable provincial transmission pipeline engineering construction project. The Group's trade receivables turnover days slightly decreased from approximately 222.3 days for the year ended 31 December 2022 to approximately 164.4 days for the year ended 31 December 2023. Such decrease was mainly attributed to the positive effect arising from the implementation of internal control to improve the Group's cash inflow from operating activities and trade receivable turnover days.

Turnover days for trade and bills receivables and contract assets

The following table sets out the Group's turnover days for trade and bills receivables and contract assets during the Track Record Period:

	Year ended 31 December		
	2021	2022	2023
Turnover days for trade and bills receivables and contract assets (days)	503.6	689.6	545.3

Note: Average balance of trade receivables, bills receivables and contract assets multiplied by number of days in that year divided by total revenue.

During the Track Record Period, the Group experienced a prolonged turnover days for trade and bills receivables and contract assets primarily due to (i) the lengthy inspection and acceptance and settlement audit processes of its customers for Infrastructure Construction Services business sub-segment; and (ii) extension of payment terms in relation to five Integrated Solution Services projects. The Group recognised revenue and corresponding contract assets for Infrastructure Construction Services projects based on the work progress. However, the Group was entitled to (i) receive progress payment and issue interim VAT invoice only after the completion of inspection and acceptance procedures carried out by its customers and/or their agents and (ii) receive final payment (less retention money (if any)) and issue final VAT invoice only after completion of settlement audit procedures, which were typically arranged by its customers in stages. Such processes generally also take a considerable amount of time after the recognition of revenue and relevant contract assets. Consequently, the Group maintained a substantial balance of contract assets, which would be transferred to trade receivables only after the completion of the inspection and acceptance and/or settlement audit procedures. For details relating to the operation flow in respect of the Group's Infrastructure Construction Services projects, please refer to the paragraph headed "Business – Operation flow" in this document.

Following the completion of inspection and acceptance and settlement audit procedures, the Group would be entitled to receive progress payment and final payment, respectively, from customers with a credit period of up to 90 days. This resulted in a significant balance of trade receivables and contract assets on the Group's balance sheet, contributing to the extended turnover period for trade and bills receivables and contract assets. According to the Ipsos Report, it is an industry norm that customers for the Infrastructure Construction Services tend to settle payments after a relatively substantial period of time subsequent to inspection and acceptance and settlement audit processes, and issuance of VAT invoices, mainly due to (i) customers place a strong emphasis on ensuring quality of construction deliverables. As a result, the inspection period tends to be relatively lengthy before the acceptance procedure; (ii) in cases where multiple construction companies are involved in the same project, customers often choose to wait until all aspects of the work are completed before initiating the inspection, acceptance, settlement audit processes, and issuing VAT invoices simultaneously; (iii) customers who are state-owned enterprises typically undergo extensive internal approval processes. Such processes must be completed before they can proceed with settlement audits or approve the final accounts; and (iv) customer would typically retain a portion of the project payment as retention money to ensure the availability of warranty services provided by telecommunications infrastructure services providers.

Further, according to the Ipsos Report, it is an industry norm that customers in digitalisation solution services tend to settle payments in stages after a relatively substantial period of time subsequent to delivery and acceptance of work. In the context of a typical digital surveillance project, customers adhere to a specific staggered payment schedule. Customers generally make progress payments during the implementation stage and upon the inspection and acceptance of works. Final payment and retention money will then be paid over a period of approximately four years following inspection and acceptance. This payment schedule serves to ensure solution provider offers thorough and effective follow-up services during the after-sales period within the post-completion stage of the project. On the other hand, for some of the Group's large-scale Digitalisation Solution Services projects, the Group may only receive payment after the end users have made the corresponding payment to the Group's customers, and the Group had extended the payment terms in relation to the five Integrated Solution Services projects in view of the temporary liquidity constraints faced by the end users, which include regulatory authorities and public institution, due to the adverse effects of the COVID-19 pandemic. As a proactive measure, the Group and the respective customers collaboratively negotiated extended payment terms that takes into consideration the prevailing circumstances.

The Group's turnover days for trade and bills receivables and contract assets increased significantly from approximately 503.6 days for the year ended 31 December 2021 to approximately 689.6 days for the year ended 31 December 2022. This increase was primarily attributed to two factors. Firstly, the Group's revenue decreased due to its prioritisation of Software Solution Services projects over Integrated Solution Services projects in 2022. Secondly, the balance of trade receivables and contract assets increased mainly due to the delayed settlement of trade receivables by the Group's customers as a result of COVID-19 pandemic during the year. The Group's turnover days for trade and bills receivables and contract assets decreased from approximately 689.6 days for the year ended 31 December 2022 to approximately 545.4 days for the year ended 31 December 2023. This decrease was mainly due to (i) the collection of trade debts in relation to Digitalisation Solution Services projects amounted to RMB63.4 million, resulting in a decrease in trade receivables; and (ii) the growth of the Group's business, leading to relatively higher revenue for the year ended 31 December 2023.

The Group's turnover days for trade and bills receivables and contract assets are relatively higher compared to its industry peers, the majority of whom are listed on the Shenzhen Stock Exchange or the Shanghai Stock Exchange. This can be attributed to the Group's higher level of contract assets, which arises from the disparity in revenue recognition timing for Infrastructure Construction Services between the Group and its industry peers. While the Group recognises revenue and corresponding contract assets for Infrastructure Construction Services based on the proportion of actual costs incurred relative to the estimated total cost, industry peers typically rely on the customers' inspection reports or settlement audit reports to measure progress. However, it is the industry practice to take a lengthy process to obtain from the customers and as a result these reports normally do not accurately reflect the actual performance progress of the construction projects for the respective financial periods. The Group's revenue recognition is not dependent on when these reports are received from its customers, and therefore any potential delay in obtaining the inspection reports or settlement audit reports from customers would not affect the accuracy in measuring the Group's performance progress. Due to the lengthy inspection process, the conversion of contract assets into trade receivables takes place over a longer timeframe for the Group.

The Directors have determined that recognising revenue for its Infrastructure Construction Services based on the proportion of actual costs incurred relative to the estimated total cost is a more practical method for the Group in preparing its financial information. The reasons are set out as follows:

(a) as stated in HKFRS 15.B17, in cases where the outputs used to measure progress may not be directly observable and the information required to apply them may not be available to an entity without undue cost, an input method may be necessary;

(b) the costs incurred directly contributes to the Group's progress towards satisfying the performance obligation (i.e. labour procurement costs incurred directly leads to progress towards completion of the construction);

(c) the cost incurred is proportional to the entity's progress towards satisfying the performance obligation (i.e. labour procurement costs incurred is proportional to the progress towards completion of the construction); and

(d) independent third-party labour suppliers regularly provide their report confirming the amount of labour services provided (being the most significant cost procured).

In view of the above factors, and with reference to the relevant discussions in HKFRS 15, the Directors consider that the revenue recognition method it adopted is a reasonable proxy for measuring progress, which provides a faithful depiction of the transfer of goods or services in satisfying its performance obligation.

The Group has assessed the recoverability of the relevant outstanding contract assets and trade receivables, and has maintained frequent communications with relevant customers to ensure effective credit control. The Directors believe that the risk of not being able to recover the relevant contract assets and trade receivables is relatively low primarily due to (i) the Group's major customers for both Telecommunications Infrastructure Services and Digitalisation Solution Services business segments consist of the Big Three and the world's largest telecommunications tower infrastructure service provider, all of which are state-owned enterprises; (ii) there has been no occurrence of bad debt associated with major customers, including the Big Three and the world's largest telecommunications tower infrastructure service provider, historically throughout the Track Record Period; (iii) the Group has evaluated the creditworthiness of the customers, including (a) conducting customers' background information review to gain insights into their business operations, history, and reputation, (b) examining the annual reports of customers that are listed company to assess their financial strength, including factors such as profitability, liquidity, and overall financial performance, and (c) reviewing credit ratings of the customers' bond, if applicable, to gauge their creditworthiness as determined by reputable credit rating agencies. No material collection issues that could potentially impact the collection of trade debt by the Group were identified with these customers; (iv) the Group has taken follow-up actions as appropriate, including making phone calls, visiting customers' work sites and initiating legal proceedings or actions where necessary; (v) the Group has implemented a rewards and penalties management system for trade debt collection in order to motivate and incentivise responsible business operations personnel to effectively recover outstanding trade debts within set timelines; and (vi) the Group has enhanced risk control measures to identify fraudulent behaviors among customers, including (a) forecasting customers' business performance and estimates relevant payment collection based on the

Group's past experience, and (b) monitoring of customers' business stability, business change, credit rating, working capital sufficiency and willingness to repay, to adopt different risk control measures. In view of the above, the Directors believe there is no recoverability issue for the Group's trade receivables and contract assets.

The Group recognises loss allowances for trade receivables and contract assets based on an estimate of lifetime ECLs. These ECLs are determined using a provision matrix that incorporates the Group's historical credit loss experience, including historical settlement patterns, past due status and analysis of the historical migration rate. The historical average migration rate reflects the historical pattern of changes in the credit quality of the Group's trade receivables and contract assets over time and provides an indication of the likelihood of transitions between credit quality categories. The historical average migration rate of trade receivables and contract assets is an indicator of the risk associated with collection cycles and overdue periods. Indeed, the Group experienced a relatively extended aging of trade receivables and contract assets. However, the Group's major customers for both Telecommunications Infrastructure Services and Digitalisation Solution Services business segments consist of the Big Three telecommunications network operators in the PRC and the world's largest telecommunications tower infrastructure service provider, all of which are state-owned enterprises with strong financial strength and high creditability. This significant factor, along with their industry prominence and market position of the Group, has indeed played a crucial role in ensuring a satisfactory settlement record of the Group's trade debts with these major customers throughout the Track Record Period. Moreover, during the Track Record Period, trade receivables are generally settled within two years of being overdue, unless an extension agreement was established with customers. The Group prudently maintained a 100% loss allowance for trade receivables that remained overdue for more than two years, unless an extension agreement was in effect. In light of these meticulous considerations, the Directors are of the view that the loss allowance for ECLs on trade receivables and contract assets is sufficient as at the respective period ends of the Track Record Period.

With respect to the high level of turnover days for trade and bills receivables and contract assets, the Group has the following measures in place for the purposes of reducing their potential adverse impact and enhancing the effectiveness of its credit policy, in order to improve its cash inflow from operating activities and turnover days for trade and bills receivables and contract assets:

(i) engage in negotiation with labour suppliers and hardware and software suppliers to secure more favourable payment terms, including (a) explore the possibility of reducing the percentage of advanced payment required; and (b) extend the credit period to a longer credit term;

(ii) periodic review of collection status of trade receivables, including (a) the Group's finance personnel sends the monthly statement with account balances to customers and the responsible business operations personnel or project manager for their attention to follow up with customers, and (b) the Directors review the trade receivables ageing report highlighting the outstanding receivables monthly;

(iii) once the trade receivables become overdue, the responsible business operations personnel or project manager would contact the relevant customers by phone calls or issue demand letters to follow up on the repayment status and report to the Directors on the recoverability of the trade receivables after such follow up;

(iv) the Directors conduct monthly analysis of the overdue trade receivables balances and determine whether a loss allowance for ECLs on trade receivables is required, taking into consideration (a) the Group's historical credit loss experience, adjusted for factors that are specific to the debtors (including aging, internal credit ratings of debtors, repayment history and/or past due status), and (b) an assessment of both the current and forecast general economic conditions;

(v) in the event where the trade receivables overdue balances remain unsettled, initiating legal proceedings or actions where necessary; and

(vi) the Directors periodically review the Group's credit policy taking into account the collection status of trade receivables.

On top of the above measures in place, to further strengthen its ability in collecting trade debts, the Group has implemented a rewards management system in relation to trade debt collection among its employees in July 2023 in order to motivate and incentivise the responsible business operations personnel or project managers, to proactively recover outstanding trade debts with the relevant customers within set timelines.

Other receivables, deferred VAT refund and prepayment

The Group's other receivables, deferred VAT refund and prepayment comprised (i) other receivables, (ii) deferred VAT refund, and (iii) prepayment for labour, equipment and services. The following table sets out a summary of the Group's other deposits, prepayments and receivables as at the dates indicated:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Other receivables, net of loss allowance	23,440	12,410	7,227
Deferred VAT refund	6,246	5,369	5,299
Prepayment for labour, equipment and services	5,583	30,995	6,828
Total	**35,269**	**48,774**	**19,354**

The Group's other receivables mainly represented tender bonds and performance bonds which will be released to the Group upon the award and the completion of the relevant projects, as the case may be. As at the Latest Practicable Date, approximately RMB1.0 million, representing approximately 14.0% of the Group's other receivables (net of loss allowance) as at 31 December 2023 had been subsequently settled.

The Group's deferred VAT refund arises when the input VAT exceeds the output VAT. The deferred VAT refund can be used to offset future VAT output tax liabilities, subject to compliance with relevant PRC tax laws and regulations. The Group's deferred VAT refund decreased from approximately RMB6.2 million as at 31 December 2021 to approximately RMB5.4 million as at 31 December 2022, the decrease was mainly due to the fact that part of the deferred VAT refund was used to offset VAT output tax liabilities in accordance with relevant PRC tax laws and regulations. The Group's deferred VAT refund remained stable at approximately RMB5.3 million as at 31 December 2023. As at the Latest Practicable Date, the Group's deferred VAT refund was approximately RMB4.4 million.

During the Track Record Period, the Group's prepayment for labour, equipment and services primarily consists of advanced payments made to labour suppliers for its services related to its Telecommunication Construction Services projects and project funds for research and development projects. Typically, the Group is obligated to provide an advanced payment of approximately 50% of the contract value to its labour suppliers within 15 days of work commencement, as per the terms of the work order. In practice, the Group settles this amount after receiving payments from its customers. The Group's prepayment for labour, equipment and services further increased by approximately 455.2% to approximately RMB31.0 million as at 31 December 2022, the increase was mainly contributed by a prepayment of project funds made by the Group to its research and development partner for "Photonic Fusion Technology and Photonics Chips Research for 5G/6G Communication Perception" project amounted to approximately RMB25.1 million. The project funds would be used for procurement, customisation and commissioning of equipment, purchase of raw material, establishment of research and development team and establishment of application scenario with the research and development partner. Following a change in the project plan initiated by the Nanchang Science and Technology Bureau, the Group received the return of the project fund by the end of 2023. As a result, there was a significant decrease in the balance of prepayment for labor, equipment and services, reducing it to approximately RMB6.8 million as at 31 December 2023.

As at the Latest Practicable Date, approximately RMB0.3 million, representing approximately 4.6% of the Group's prepayment for labour, equipment and services as at 31 December 2023 had been subsequently utilised.

Investments in associates

The Group recognised investments in associates under equity method of approximately RMB7.4 million as at 31 December 2023, included (i) an investment in QYP Info Tech amounted to approximately RMB2.5 million, of which the Group held equity interest of 49% and 51% of equity interest was indirectly held by a government institution as at the Latest Practicable Date; and (ii) an investment in WPX Info Tech amounted to approximately RMB4.9 million, of which the Group held equity interest of 49% and 51% of equity interest was also indirectly held by a government institution as at the Latest Practicable Date.

As at the Latest Practicable Date, WPX Info Tech has started business but QYP Info Tech was yet to commence business activities.

Amounts due from related parties

The following table sets out the Group's amounts due from related parties as at the dates indicated:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Ms. Tao Hailan	72	28	28
Mr. Xiao Wei	46	–	–
Mr. Zhang Jimao	45	–	–
Ms. Chai Wenxin	3	–	–
You Po BVI	–	6,067	–
Ying Hua BVI	–	3,691	–
Shu Zhi Cayman	–	1,895	–
Rui Da BVI	–	812	–
GT & Yangtze	–	68	68
Octuple Hills	–	6	7
Huat Huat	–	6	6
Ms. Yeung	–	1	–
Total	**166**	**12,574**	**109**

The amount due from the Shareholders as at 31 December 2023 represents the paid-in capital to be received from them for the Shares issued as part of the Reorganisation. The amounts due from Ms. Xiao Haiyan, Mr. Xiao Wei, Ms. Tao Hailan, Mr. Zhang Jimao and Ms. Chai Wenxin represent mainly the advance payment of expenses including entertainment expenses, travel expenses and motor vehicle expenses. The decrease in the balance in 2023 was mainly due to settlement of the paid-in capital by You Po BVI, Ying Hua BVI, Shu Zhi Cayman and Rui Da BVI.

The amount due from related parties is non-trade in nature, unsecured, interest-free and have no fixed repayment terms. The balance will be fully settled before **[REDACTED]**. For further details, please refer to note 29(d) of the Accountants' Report in Appendix I to this document.

Trade and other payables

The following table sets out the Group's trade and other payables as at the dates indicated:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Trade payables – third parties	385,996	362,836	438,053
Other tax payables	48,187	54,128	76,186
Accrued payroll	4,865	3,497	4,049
Other payables and accruals	3,316	4,947	7,014
Amounts due to shareholders	1,176	12,143	144,861
Amounts due to associates	–	–	7,350
Total	**443,540**	**437,551**	**677,514**

Trade payables

The Group's trade payables comprised mainly the payables to the Group's labour suppliers for their provision of labour. Pursuant to the relevant contracts, the Group typically provides its labour suppliers with an advance payment of approximately 50% of the contract value as stipulated in the work order within 15 days after the commencement of works. Upon completion and acceptance of the works by the Group's customers at settlement audit, the Group's customers make final payment to the Group accordingly, and the Group then settles the trade debts with the labour suppliers. Upon expiry of defect liability period, the Group's customers releases the retention money to the Group, and the Group then pays the labour suppliers. The labour suppliers typically grant the Group a credit period ranging from 30 to 45 days after the receipt of payment by the Group from its customers. The Group's trade payable are generally affected by, including but not limited to, the amounts of works performed by its labour suppliers, timing of payment for the invoices received from its suppliers, timing of settlement made by its customers and credit periods granted by them.

The Group's trade payables decreased from approximately RMB386.0 million as at 31 December 2021 to approximately RMB362.8 million as at 31 December 2022. The decrease in the Group's trade payables as at 31 December 2022 was primarily attributable to the Group's prioritisation of Software Solution Services projects over Integrated Solution Services projects in 2022, taking into account the customers' demand and the limited resources available during that period. This interim measure allowed the Group to avoid substantial capital requirements for the purchases of hardware associated with Integrated Solution Services projects, resulting in a decrease in the balance of trade payables. The Group's trade payables slightly increased from RMB362.8 million as at 31 December 2022 to approximately RMB438.1 million as at 31 December 2023. The increase was generally in line with the growth of the Group's business.

The following table sets out the ageing analysis of the Group's trade payables as at the dates indicated:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	349,056	265,277	327,691
More than 1 year but within 2 years	28,228	75,219	68,215
More than 2 years but within 3 years	1,905	13,642	20,938
More than 3 years	6,807	8,698	21,209
Total	**385,996**	**362,836**	**438,053**

The outstanding trade payables that are aged more than 12 months were mainly due to the delayed settlement of customers' accounts, which in turn delayed the Group's settlement of trade debts with the labour suppliers.

As at the Latest Practicable Date, approximately RMB194.6 million, representing approximately 44.5% of the Group's trade payables as at 31 December 2023 had been subsequently settled.

Creditors' turnover days

The following table sets out the Group's creditors' turnover days during the Track Record Period:

	As at 31 December		
	2021	2022	2023
Creditors' turnover days (days)	321.7	441.6	317.8

Note: Average balance of trade payables multiplied by number of days in that year and divided by total cost of sales.

During the Track Record Period, the Group experienced a prolonged creditors' turnover days. This was mainly due to the credit terms extended by suppliers, which allowed for a payment window of 30 to 45 days from the date of the Group's receipt of payment from its customers. In addition, the Group's customers had a prolonged inspection and acceptance and settlement audit process and they will settle the Group's trade debt in stages after completion of inspection and acceptance and settlement audit processes, which resulted in delayed settlement of the Group's trade debts. The prolonged turnover of trade payables was therefore a direct result of the Group's extended trade receivable turnover days. The turnover days increased significantly from approximately 321.7 days for the year ended 31 December 2021 to approximately 441.6 days for the year ended 31 December 2022. This increase was primarily due to prolonged settlement of trade debts by the Group's customers, which in turn delayed the settlement of its trade payables. The Group's turnover days for trade payables decreased from approximately 441.6 days for the year ended 31 December 2022 to approximately 317.8 days for the year ended 31 December 2023. This decrease was mainly due to (i) the significant effort by the Group to collect trade debts, which in turn accelerated the settlement of its trade payable; and (ii) the growth of the Group's business, leading to relatively higher cost of sales for the year ended 31 December 2023. Please refer to the paragraph headed "Trade and other payables" in this section for details.

The Group consistently recorded longer turnover days for trade and bills receivables and contract assets compared to creditors' turnover days throughout the Track Record Period. This is mainly due to the fact that (i) the Group experienced an extended ageing of trade receivables in the Digitalisation Solution Services business segment. This was mainly due to (a) Digitalisation Solution Services projects generally involve a payment schedule with a lengthy duration, and (b) the Group's decision to extend payment terms to its customers in relation to the five Integrated solution services projects, considering the temporary liquidity constraints faced by end users, including regulatory authorities and public institution, as a result of the impact of COVID-19; (ii) the Group's prioritisation of Software Solution Services projects over Integrated Solution Services projects. The costs associated with these projects consisted mainly of research and development costs for self-developed software used in the projects. As a result, the corresponding payables associated with in-house research and development team and third-party programmers assisting in the research and development process were settled previously, in the relevant years, resulting in a lower balance of trade payables; and (iii) the Group typically had to prepay upfront costs to suppliers for its projects, which were not classified as trade payables.

Other tax payables

The Group's other tax payables primarily comprised VAT payables. As at 31 December 2021, the balance of other tax payables was approximately RMB48.2 million, which increased to approximately RMB54.1 million as at 31 December 2022, and further increased to approximately RMB76.2 million as at 31 December 2023. The increase in other tax payables was mainly driven by the increase in revenue from which the relevant VAT tax liability arises after it is recognised in the accounting records, in accordance with PRC accounting standards and tax regulations. This increase was generally in line with the increase in the Group's contract assets.

Other payables and accruals

The Group's other payables and accruals mainly represented (i) retention money and performance bonds which will be released to the Group's labour suppliers upon completion of the relevant projects; and (ii) work safety fees received by the Group which will be refunded to its customers upon completion of the relevant projects.

Accrued payroll

The Group's accrued payroll mainly comprised the salaries to be paid to its staffs.

Amount due to shareholders

For details, please refer to "Indebtedness" of this section.

Amount due to associates

For details, please refer to "Indebtedness" of this section.

INDEBTEDNESS

The following table sets out a summary of the Group's indebtedness as at the dates indicated:

	As at 31 December			As at 30 April
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)
Current				
Bank borrowings				
–secured	311,449	325,172	297,384	289,000
–unsecured	–	50,026	50,074	50,000
Lease liabilities	111	45	145	142
Amounts due to shareholders	1,176	12,143	144,861	8,024
Amounts due to associates	–	–	7,350	7,350
	312,736	387,386	499,814	354,516
Non-current				
Lease liabilities	–	13	129	68
Total	**312,736**	**387,399**	**499,943**	**354,584**

Bank borrowings

The Group's bank borrowings were primarily used to finance its working capital requirements during the Track Record Period, the bank borrowings increased in line with the growth of the Group's businesses during the Track Record Period and up to 30 April 2024. The bank borrowings were secured by the Group's (i) trade receivables and contract assets, (ii) pledge bank deposits, (iii) property, plant and equipment and (iv) investment property. Additionally, Mr. Liu Haoqiong and Ms. Tao Xiulan, each a Controlling Shareholder, had provided personal guarantees and had pledged their personal property as security for the Group's bank borrowings, all of which have been released. Further, the Group's bank borrowings during the Track Record Period were also secured by (i) personal guarantees of Mr. Zhou Zhiqiang, one of the Group's executive Directors and his spouse, which has been released; (ii) personal guarantees of Mr. Xiao Wei, an employee of the Group and a former shareholder and his spouse, which will be released prior to the **[REDACTED]**; and (iii) personal guarantee of Ms. Tao Hailan, sister of Ms. Tao Xiulan which will be released prior to the **[REDACTED]**. The effective interest rates on the Group's bank borrowings as at 31 December 2021, 2022 and 2023 ranged from 4.00% to 5.22% per annum, 4.20% to 5.24% per annum and 3.95% to 5.24% per annum, respectively. As at 30 April 2024, the Group had unutilised banking facilities of approximately RMB357.7 million.

As confirmed by the Directors, the Group's bank borrowings were entered into on normal commercial terms and do not contain any restrictive covenants that are not commonly found in banking facilities of such kind. The Directors further confirm that the Group settled all its debt obligations in a timely manner, had not experienced any difficulties in obtaining loans or refinancing its debts.

In addition, the Directors confirmed that there were breaches of covenants during the Track Record Period. As at 31 December 2021, 2022 and 2023, the agreements with respect to the Group's borrowings with one of its principal banks which amounted to approximately RMB155.2 million, RMB155.1 million and RMB127.2 million were subject to loan covenants relating to certain financial ratios based on the borrower's balance sheet that are commonly found in lending arrangements with financial institutions. For details, please refer to the paragraph headed "Working Capital" in this section.

Lease liabilities

The Group's lease liabilities primarily represented the liabilities arising from the Group's leased properties. The effective interest rates on the Group's lease liabilities as at 31 December 2021, 2022 and 2023 was 4.75% per annum, 4.75% per annum and 4.75% per annum respectively. For further details, please refer to notes 21 and 27(c) of the Accountants' Report in Appendix I to this document.

Amounts due to shareholders

The following table sets out the Group's amounts due to shareholders as at the dates indicated:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Mr. Liu	1,152	–	71,542
Mr. Liu Dingli	24	24	9,813
Ms. Tao Xiulan	–	–	36,645
Mr. Liu Dingyi	–	–	13,365
You Po Commence *(Note)*	–	5,899	5,899
Ying Hua Investment *(Note)*	–	3,589	3,589
Shu Zhi Shen Kong *(Note)*	–	1,842	1,842
Rui Da Xin Tao *(Note)*	–	789	789
Ms. Yeung	–	–	1,377
Total	**1,176**	**12,143**	**144,861**

Note: Mr. Liu and Ms. Tao Xiulan, Mr. Liu Dingyi, Mr. Liu Dingli, You Po Commence, Ying Hua Investment, Shu Zhi Shen Kong, and Rui Da Xin Tao are the respective shareholders of GT & Yangtze, Octuple Hills, Huat Huat, You Po BVI, Ying Hua BVI, Shu Zhi Cayman, and Rui Da BVI. Prior to the Reorganisation, they directly held the equity interest in Zhonggan Communication.

The amount due to Mr. Liu, Ms. Tao Xiulan, Mr. Liu Dingyi, Mr. Liu Dingli and the shareholders of You Po Commence, Ying Hua Investment, Shu Zhi Shen Kong and Rui Da Xin Tao as at 31 December 2023 represents the consideration to be paid by Jiangxi Zhongge for the acquisition of equity interest in Zhonggan Communication held by each shareholder, as part of the Reorganisation. The significant increase in the balance in 2023 was mainly due to the inclusion of the consideration payable by Jiangxi Zhongge for the acquisition of approximately 90.1% of Zhonggan Communication's equity interest in aggregate from Mr. Liu, Ms. Tao Xiulan, Mr. Liu Dingyi, Mr. Liu Dingli and Ms. Yeung.

The amount due to shareholders is non-trade in nature, unsecured, interest-free and repayable on demand. In early 2024, the shareholders of Zhonggan Communication provided approximately RMB127.7 million as a gift in order to facilitate the transfer payment from Jiangxi Zhongge to the relevant shareholders as part of the Reorganisation. As at the Latest Practicable Date, approximately RMB127.7 million of the amounts due to shareholders as at 31 December 2023 has been settled upon completion of the transfer payment. The remaining balance will be fully settled before the **[REDACTED]**.

Amount due to associates

The amount due to associates represents the paid-in capital owed by GLP Technology to QYP Info Tech amounted to approximately RMB2.5 million and to WPX Info Tech amounted to RMB4.9 million. GLP Technology has an obligation to settle the capital money with QYP Info Tech no later than 4 December 2052 and with WPX Info Tech no later than 14 February 2053. The amount is non-trade in nature, unsecured, and does not bear any interest.

Contingent liabilities

The Group did not have contingent liabilities that would have a material adverse effect on its financial position, liquidity or result of operation, save as disclosed in the paragraph headed "Indebtedness" in this section and apart from intragroup liabilities and normal trade bills, the Directors confirm that the Group did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness issued and outstanding or agreed to be issued, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at 30 April 2024, being the Latest Practicable Date for the purpose of the statement of indebtedness.

STATEMENT OF INDEBTEDNESS

Save as disclosed above, as at 30 April 2024, being the Latest Practicable Date for the purpose of the indebtedness statement, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees, material covenants, or other material contingent liabilities. The Directors confirmed that there has been no material change in the Group's indebtedness since the Latest Practicable Date up to the date of this document.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, the Group did not have any material off-balance sheet commitments and arrangements.

NET ASSETS

The Group's net assets experienced an increase from approximately RMB124.5 million as at 31 December 2021 to approximately RMB187.2 million as at 31 December 2022. This growth was attributed primarily to the combined effect of the Group's profit accumulation and the share repurchase and capital injection conducted by Zhonggan Communication during the period. However, there was a significant decrease in the Group's net assets of approximately RMB59.0 million, resulting in a total of approximately RMB128.2 million as at 31 December 2023. The decrease was primarily caused by the modifications made to the Reorganisation plan which outweighed the profit accumulation during the year.

According to the original Reorganisation plan, specific arrangements were made to facilitate the transfer of the entire equity interest in Zhonggan Communication from certain of its shareholders to Jiangxi Zhongge, taking into account that Jiangxi Zhongge is a newly established entity with pending paid-up registered capital. On 22 August 2022, waiver agreements were executed between Mr. Liu, Ms. Tao Xiulan, Mr. Liu Dingli, Mr. Liu Dingyi, and Jiangxi Zhongge, as well as between Ms. Yeung and Jiangxi Zhongge. These agreements effectively waived Jiangxi Zhongge's obligation to make the respective considerations for the transfer. However, modifications to the Reorganisation required the execution of the December 2023 Agreement between Jiangxi Zhongge and the relevant shareholders, which reinstated Jiangxi Zhongge's responsibility to fulfill the payment obligations to relevant shareholders. To ensure a smooth settlement of the transfer, Ms. Tao Xiulan, Mr. Liu Dingli, Mr. Liu Dingyi, and Ms. Yeung collectively provided funds amounting to approximately RMB61.2 million to Mr. Liu. The purpose of these funds was to facilitate the provision of approximately RMB127.7 million (referred to as the "**Funds**") from Mr. Liu to Jiangxi Zhongge as a gift, exclusively intended for the payment of the transfer considerations to the shareholders. Subsequently, Jiangxi Zhongge proceeded to make the transfer payments to the shareholders, amounting to the same total of approximately RMB127.7 million. Details of the Reorganisation, please refer to the section headed "History and Reorganisation" of this document.

As a result of the phased execution of the revival of payment obligations and the provision of Funds by Zhonggan Communication's shareholders in different financial years, the Group experienced a temporary reduction of approximately RMB127.7 million in its equity as at 31 December 2023. However, with the subsequent provision of the Funds totaling approximately RMB127.7 million to Jiangxi Zhongge as a gift in 2024, it is anticipated that the Group's equity will fully recover by the same amount. This increase in equity will be duly reflected in the Group's financial statements upon the receipt of capital contributions from the shareholders of Zhonggan Communication in 2024.

CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for Shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure with reference to its debt position. The Group's strategy was to maintain the equity and debt in a balanced position and ensure there are adequate working capital to serve its debt obligations. In order to maintain or adjust the ratio, the Company may adjust the amount of dividends paid to Shareholders, issue new Shares, return capital to Shareholders, raise new debt financing or sell assets to reduce debt.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital expenditures

During the Track Record Period, the Group incurred capital expenditures of approximately RMB0.7 million, RMB2.1 million and RMB14.0 million, respectively, which primarily related to the purchase of property, plant and equipment.

The Group plans to incur additional capital expenditures of approximately RMB19.4 million in 2024 for purchasing hardware equipment and ancillary software systems. For details as to additional capital expenditures to be incurred by the Group, please refer to the section headed "Future Plans and **[REDACTED]**" in this document.

Capital commitments

The following table sets out a summary of the Group's capital commitments as at the dates indicated:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Contracted for property, plant and equipment	6,969	453	–

As at 31 December 2021, the Group's capital commitments primarily consisted of the final installment to be paid for the purchase of certain office units in Nanchang City, which are intended for GLP Technology's office use.

PROPERTY INTERESTS AND VALUATION

The following table sets out the reconciliation between the net book value of the property interest of the Group's investment property as at 31 December 2023 as stated in "Appendix I – Accountants' Report" to this document and the market value as at 31 May 2024 as stated in "Appendix III – Property Valuation Report" to this document:

	RMB'000
Net book value of the property interest of the Group's investment property as at 31 December 2023 set out in Appendix I to this document	18,841
Less: Depreciation on the investment property for the five months ended 31 May 2024 (unaudited)	(220)
Add: Valuation surplus (unaudited)	8,259
Market value of the subject property interest as at 31 May 2024 set out in Appendix III to this document (unaudited)	26,880

TRANSACTIONS WITH RELATED PARTIES

During the Track Record Period, the Group had entered into certain related party transactions, details of which are set out in note 29 of the Accountants' Report in Appendix I to this document. The Directors are of the view that the related party transactions were conducted at arm's length and on normal commercial terms and therefore the results of the Group's operations during the Track Record Period would not be distorted by those transactions.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

As at the Latest Practicable Date, the Directors confirmed that there were no circumstances that would give rise to a disclosure requirement under Rule 13.12 to Rule 13.19 of the Listing Rules.

KEY FINANCIAL RATIOS

The following table sets out a summary of the Group's key financial ratios during the Track Record Period:

		Year ended 31 December		
Key financial ratios	**Formulae**	**2021**	**2022**	**2023**
Current ratio (times)	Current assets/Current liabilities	1.0	1.1	1.0
Quick ratio (times)	(Current assets – Inventories)/Current liabilities	1.0	1.1	1.0
Gearing ratio (times)	Total debt[(1)]/Total equity	2.5	2.0	2.7
Debt to equity ratio (times) . .	(Total debt[(1)] – Bank balances and cash)/Total equity	2.2	1.6	2.1
Interest coverage (times) . . .	Profit before tax and finance costs/Finance costs	4.6	3.5	5.2
Return on equity (%)	Profit for the year/Total equity as at the respective year-end date x 100%	29.0	18.7	53.6
Return on assets (%).	Profit for the year/Total assets as at the respective year-end date x 100%	4.0	3.4	5.9

Note:

(1) Debts are defined to include payables (i) incurred not in the ordinary course of business; and (ii) are interest-bearing. The Group's total debts include interest-bearing bank borrowings and lease liabilities.

Current ratio and quick ratio

The Group's current ratios were approximately 1.0, 1.1 and 1.0 times as at 31 December 2021, 2022 and 2023 while the quick ratios as at the same period end were approximately 1.0, 1.1 and 1.0 times, respectively. The Group's current ratio and quick ratio remained stable during the Track Record Period.

Gearing ratio

The Group's gearing ratio decreased from approximately 2.5 times as at 31 December 2021 to approximately 2.0 times as at 31 December 2022. The decrease was primarily due to an increase in the Group's equity as a result of accumulation of profit and an injection of capital. The Group's gearing ratio experienced an increase from approximately 2.0 times as at 31 December 2022 to approximately 2.7 times as at 31 December 2023. The increase was primarily driven by a temporary decline in the Group's equity resulting from the revival of the obligation for Jiangxi Zhongge to pay the consideration for acquiring the equity interests of Zhonggan Communication under the Reorganisation. It is important to highlight that the temporary decline in equity is expected to be reversed following the transfer and waiver of loans by Zhonggan Communication's shareholders to Jiangxi Zhongge. The arrangement will help restore the Group's equity position by increase of approximately RMB127.7 million, resulting in a decrease in gearing ratio. For details of the Reorganisation, please refer to the section headed "History and Reorganisation" in this document. However, it is worth noting that the impact of the temporary decline in equity was partially mitigated by the accumulation of profit during the year.

Debt to equity ratio

The Group's debt to equity ratio decreased from approximately 2.2 times as at 31 December 2021 to approximately 1.6 times as at 31 December 2022 The decrease was primarily due to an increase in the Group's equity resulting from accumulation of profit and an injection of capital. The Group's debt to equity ratio increased from approximately 1.6 times as at 31 December 2022 to approximately 2.1 times as at 31 December 2023. The increase was primarily driven by a temporary decline in the Group's equity resulting from the revival of the obligation for Jiangxi Zhongge to pay the consideration for acquiring the equity interests of Zhonggan Communication under the Reorganisation. It is important to highlight that the temporary decline in equity is expected to be reversed following the transfer and waiver of loans by Zhonggan Communication's shareholders to Jiangxi Zhongge. The arrangement will help restore the Group's equity position by increase of approximately RMB127.7 million, resulting in a decrease in debt to equity ratio. For details of the Reorganisation, please refer to the section headed "History and Reorganisation" in this document.

Interest coverage

The Group's interest coverage ratio decreased from approximately 4.6 times for the year ended 31 December 2021 to approximately 3.5 times for the year ended 31 December 2022. The decrease was primarily due to an increase in the Group's finance costs, resulting from a rise in the average balance of the Group's bank borrowings in 2022. The Group's interest coverage increased from approximately 3.5 times for the year ended 31 December 2022 to approximately 5.2 times for the year ended 31 December 2023. The increase can be primarily attributed to the enhanced profitability of the Group's business in 2023, combined with stable finance costs incurred during the year. The improved profitability allowed the Group to generate higher earnings, enabling them to cover its finance costs more comfortably.

Return on equity

The Group's return on equity decreased from approximately 29.0% for the year ended 31 December 2021 to approximately 18.7% for the year ended 31 December 2022. The decrease was primarily contributed by the combined effects of a decrease in the Group's net profit in 2022 mainly due to increase in credit impairment losses and **[REDACTED]** and an increase in the Group's equity as a result of accumulation of profit and an injection of capital. The Group's return on equity increased from approximately 18.7% for the year ended 31 December 2022 to approximately 53.5% for the year ended 31 December 2023. The increase was primarily driven by combined effect of (i) the enhanced profitability of the Group's business in 2023; and (ii) a temporary decline in the Group's equity resulting from the revival of the obligation for Jiangxi Zhongge to pay the consideration for acquiring the equity interests of Zhonggan Communication under the Reorganisation. As at the Latest Practicable Date, the equity was fully recovered by approximately RMB127.7 million following the provision of funds as a gift by Zhonggan Communication's Shareholders to Zhongge, resulting in decrease in the Group's return on equity. For details of the Reorganisation, please refer to the section headed "History and Reorganisation" in this document.

Return on assets

The Group's return on assets decreased from approximately 4.0% for the year ended 31 December 2021 to approximately 3.4% for the year ended 31 December 2022. The decrease was mainly due to a combined effects of (i) a decrease in the Group's net profit caused by an increase in credit impairment loss and **[REDACTED]**, and (ii) an increase in trade receivables resulting from delayed settlement by its customers as a result of COVID-19 pandemic. The Group's return on assets increased from approximately 3.4% for the year ended 31 December 2022 to approximately 5.9% for the year ended 31 December 2023. The increase was primarily due to the enhanced profitability of the Group's business in 2023.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The Group is exposed to (i) credit risks; (ii) liquidity risks; and (iii) interest rate risks. Details of the risks which the Group is exposed to are set out in note 26 of the Accountants' Report in Appendix I to this document.

FINANCIAL INSTRUMENTS

During the Track Record Period and up to Latest Practicable Date, the Group did not enter into any financial instruments for hedging purposes.

DISTRIBUTABLE RESERVES

The Company was incorporated on 20 April 2022 as an investment holding company and as at the Latest Practicable Date, the Company did not have reserve available for distribution to the Shareholders.

DIVIDENDS

The Company is a company incorporated in Cayman Islands, any declaration and payment of dividends by it, as well as the amount of dividends, will be subject to the Articles of Association and the Cayman Islands Companies Act. No dividend however, shall be declared in excess of the amount recommended by the Board. The declaration, payment and amount of dividends will depend on the Group's financial condition, earnings, capital requirements and surplus, contractual and legal restrictions, its ability to receive dividend payments from its subsidiaries, and other factors that the Directors deem relevant. As at the Latest Practicable Date, the Group did not have any specific dividend policy nor any pre-determined dividend payout ratio.

Chinese laws require that dividends be paid only out of net profit calculated according to PRC accounting principles, which may differ from generally accepted accounting principles in other jurisdictions, including HKFRSs. The Company's subsidiaries in the PRC that are required to set aside part of their net profit as statutory reserves in accordance with the requirements of relevant Chinese laws and the provisions of their respective articles of association. The portions of these subsidiaries' net profits are not available for distribution as cash dividends. Distributions from the Company's PRC subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that the Group may enter into in the future. Since the Company is an investment holding company and relies on its subsidiaries' dividends as the source of funds to pay dividends, these restrictions may limit or completely prevent it from paying dividends.

The companies comprising the Group did not declare or pay any dividend or distribution during the Track Record Period.

[REDACTED]

[REDACTED]

[REDACTED]

For the Group's **[REDACTED]**, please refer to the section headed "**[REDACTED]**" in this document.

RECENT DEVELOPMENT

For details, please refer to the section headed "Summary – Recent developments and no material adverse change" in this document.

NO MATERIAL ADVERSE CHANGE

The Directors have confirmed that, up to the date of this document, there has been no material adverse change in the financial or trading positions or prospects of the Group since 31 December 2023 (being the date of which the Group's latest consolidated financial statements were made up as set out in the Accountants' Report included as Appendix I to this document) and there has been no event since 31 December 2023 which would materially affect the information shown in the Accountants' Report included as Appendix I to this document.

FUTURE PLANS

Please refer to the paragraphs headed "Business – Business Strategies" in this document for a detailed description of the Group's business objectives and strategies.

REASONS FOR THE [REDACTED] AND THE [REDACTED]

According to the Ipsos Report, due to the rise and benefits of 5G networks which greatly enhances and facilitates the use of digital technologies as well as multiple PRC government policies such as the 13th and 14th Five Year Plan for National Informatisation* (“十三五”及“十四五”國家信息化規劃) it is expected that there will be a significant demand for Digitalisation Solution Services in the PRC. During the period from 2019 to 2023, the market value of Digitalisation Solution Services grew from approximately RMB2,351.9 billion to approximately RMB3,709.3 billion, representing a CAGR of approximately 12.1%. Further, it is expected that for the period from 2024 to 2028, the market value of Digitalisation Solution Services will continue to grow at a CAGR of approximately 9.0%, from approximately RMB4,063.0 billion to approximately RMB5,729.4 billion.

Given the vast market size and demand for Digitalisation Solution Services in the PRC, the Group had placed significant effort in developing this business segment and during the Track Record Period, the Group's Digitalisation Solution Services was a key contributor to its overall profitability. The gross profit derived from the Group's Digitalisation Solution Services business segment during the Track Record Period was approximately RMB44.9 million, RMB60.8 million and RMB75.2 million which accounted for approximately 49.2%, 58.8% and 50.3% respectively of the Group's total gross profit. Further, its gross profit margin in respect of Digitalisation Solution Services during the Track Record Period, being approximately 41.1%, 86.1% and 69.6% respectively was significantly higher than the gross profit margin in respect of its Telecommunications Infrastructure Services, being approximately 12.5%, 12.5% and 14.8% respectively.

The Group's competitiveness in respect of its Digitalisation Solution Services business segment is highly dependent upon its core software offerings which are an integral part of its solutions and due to the short cycle of these projects, it is difficult to develop new core software in a timely and cost effective manner after the project has commenced. During the Track Record Period, the Group had strived to expand its portfolio of intellectual property rights by developing new core software as well as other equipment and incurred research and development expenses of approximately RMB19.2 million, RMB17.7 million and RMB25.9 million respectively. Despite having devoted such extensive efforts during the Track Record Period, according to the Ipsos Report, many integrated service providers such as the Group which also engage in the provision of Digitalisation Solution Services also possess research and development departments and have an extensive portfolio of intellectual property rights. As such, the Group's business strategies primarily involve further strengthening its capabilities in this business segment through the acquisition of companies specialising in the provision of Digitalisation Solution Services and the strengthening of its research and development capabilities which includes establishing a research and development centre. For details, please refer to the paragraphs headed "Business – Business strategies" in this document.

While the Group has such plans in place, these business strategies involve significant capital expenditure which, if funded through the Group's internal resources, may negatively impact upon the Group's financial position and operations, especially given that the Group experienced net cash outflows from operating activities of approximately RMB12.2 million and RMB36.3 million during the years ended 31 December 2021 and 2022, respectively. Further, during the Track Record Period, the Group's Infrastructure Construction Services projects would commonly require upfront costs, as pursuant to its work orders with its labour suppliers, the Group would generally provide its labour suppliers an advance payment of approximately 50% of the contract value as stipulated in the work order within 15 days after the commencement of works. Further, the certification and payment process of the Group's works also often require a lengthy period.

The Directors have considered various means of financing including both debt and equity financing to raise the necessary funds to finance the Group's business strategies and believe that equity financing through the **[REDACTED]** is the more preferable means, despite its relatively higher immediate cost, after taking into account the interest obligations, potential amount of funds that can be raised and collateral requirements associated with debt financing. The Directors also believe that equity financing can broaden the Group's capital base and entails less risks on the part of the Group as Shareholders may look to the long-term benefits that can be provided by the Group instead of the periodic repayment of interest and debt that are associated with debt financing.

Without the **[REDACTED]**, the Group remains a privately held company and there is no guarantee that banks or other financial institutions would lend to the Group for the purposes of implementing its business strategies at all or on favourable terms and without the imposition of stringent financing requirements. Especially given the Group's gearing ratio as at 31 December 2021, 2022 and 2023 of approximately 2.5, 2.0 and 2.7 times and the Group's debt to equity ratio of 2.2, 1.6 and 2.1 times, respectively. Debt financing generally entails interest obligations which are subject to rates that may fluctuate throughout the subsistence of the loan or facility. These rates themselves are significantly affected by macro and micro economic factors which are beyond the control of the Group, as such there is no guarantee that the rates would not increase to such an extent that it would affect the Group's financial performance and its ability to fund its business strategies. Through the **[REDACTED]**, the Group's ability to access debt financing will be enhanced, as it will be able to access the debt capital markets and as a publicly listed company banks and other financial institutions are generally more willing to provide financing on more favourable terms.

Aside from the financing benefits arising from the **[REDACTED]**, the Directors also believe that the **[REDACTED]** will serve to enhance the Group's corporate profile, reputation and market presence. As such, it will serve to distinguish the Group from other market players and may provide reassurance and confidence to its customers and suppliers as to the sustainability and commitment of the Group towards its growth in the industry, which in turn may provide stronger bargaining power to the Group for future endeavours and negotiations.

For the reasons set out above, the Directors consider that the **[REDACTED]** and the **[REDACTED]** is in the long-term commercial interests of the Group as it will provide flexibility as to financing its operations and enhance its overall image which will enable the Group to distinguish itself from its competitors.

[REDACTED]

It is estimated that the **[REDACTED]** from the **[REDACTED]** (after deducting **[REDACTED]** and estimated expenses payable by the Group in connection with the **[REDACTED]**), assuming the **[REDACTED]** is not exercised and an **[REDACTED]** of **[REDACTED]** per Share (being the mid-point of the indicative **[REDACTED]** range), will be approximately **[REDACTED]**. The Group currently intends to apply the **[REDACTED]** in the following manner:

- approximately **[REDACTED]** or **[REDACTED]** (equivalent to approximately **[REDACTED]**) will be used to selectively pursue strategic acquisitions and acquire full ownership in companies specialising in the provision of digitalisation solution services;

- approximately **[REDACTED]** or **[REDACTED]** (equivalent to approximately **[REDACTED]**), together with the Group's internal resources and/or bank borrowings, will be used as payment of the upfront costs required in respect of prospective Integrated Solution Services projects for 2024;

- approximately **[REDACTED]** or **[REDACTED]** million (equivalent to approximately **[REDACTED]** million), together with the Group's internal resources and/or bank borrowings, will be used to strengthen the Group's research and development capabilities to enhance its provision of Digitalisation Solution Services, of which approximately **[REDACTED]** (equivalent to approximately **[REDACTED]**) will be used to purchase hardware equipment and ancillary software systems, and approximately **[REDACTED]** (equivalent to approximately **[REDACTED]**) will be used to hire additional research and development personnel; and

- approximately **[REDACTED]** or **[REDACTED]** (equivalent to approximately **[REDACTED]**) will be used as general working capital.

Set out below are details relating to the expected time-frame for utilisation of the **[REDACTED]** from the **[REDACTED]**:

Implementation plans	Year ending 31 December 2024	Total	Percentage of total [REDACTED]
	HK$ million (approx.)	HK$ million (approx.)	(approx.)
Selectively pursue strategic acquisitions	[REDACTED]	[REDACTED]	[REDACTED]
Payment of upfront costs in respect of prospective Integrated Solution Services projects	[REDACTED]	[REDACTED]	[REDACTED]
Strengthen research and development capabilities	[REDACTED]	[REDACTED]	[REDACTED]
General working capital	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]

To the extent that the **[REDACTED]** from the **[REDACTED]** are insufficient to fund the Group's business strategies, the Directors may delay the pace of the implementation of the Group's business strategies until its internal resources are sufficient. The Directors may also consider other factors when determining the pace of implementation, such as the long term funding needs of the Group and the need to maintain a healthy level of working capital. Alternatively, the Directors may also consider bank financing or other debt or equity fund raising exercises, though this may affect the Group in such ways as disclosed in the paragraph headed "Reasons for the **[REDACTED]** and the **[REDACTED]**" in this section.

If the **[REDACTED]** is fixed at the high-end of the indicative range of the **[REDACTED]**, being **[REDACTED]** per **[REDACTED]**, the **[REDACTED]** to be received by the Group from the **[REDACTED]** will increase by approximately **[REDACTED]**. The Group intends to apply the additional **[REDACTED]** for the above purposes on a pro-rata basis. If the **[REDACTED]** is set at the low-end of the indicative range of the **[REDACTED]**, being **[REDACTED]** per **[REDACTED]**, the **[REDACTED]** to be received by the Group from the **[REDACTED]** will decrease by approximately **[REDACTED]**. The Group intends to reduce the **[REDACTED]** for the above purposes on a pro-rata basis.

If the **[REDACTED]** is exercised in full, it is estimated that the additional **[REDACTED]** from the **[REDACTED]** of these additional Shares to be received by the Group, after deducting the estimated **[REDACTED]**, incentive fee and estimated expenses payable by it, will be approximately (i) **[REDACTED]**, assuming the **[REDACTED]** is fixed at the high-end of the indicative range of the **[REDACTED]**, being **[REDACTED]** per **[REDACTED]**; (ii) **[REDACTED]**, assuming the **[REDACTED]** is fixed at the mid-point of the indicative range of the **[REDACTED]**, being **[REDACTED]** per **[REDACTED]**; and (iii) HK$**[REDACTED]**, assuming the **[REDACTED]** is fixed at the low-end of the indicative range of the **[REDACTED]**, being **[REDACTED]** per **[REDACTED]**. Any additional **[REDACTED]** received by the Group from the exercise of the **[REDACTED]** will also be allocated to the above purposes on a pro-rata basis.

To the extent that the **[REDACTED]** from the **[REDACTED]** are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, the Group will only deposit the **[REDACTED]** into short-term interest-bearing accounts at licenced commercial banks and/or other authorised financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions). The Group will make appropriate announcement if there is any material change to the above proposed **[REDACTED]**.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a report set out on pages I – 1 to I – 73, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ZHONGGAN COMMUNICATION (GROUP) HOLDINGS LIMITED AND ZHONGTAI INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Zhonggan Communication (Group) Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I – 3 to I – 73, which comprises the consolidated statements of financial position of the Group as at 31 December 2021, 2022 and 2023, the statements of financial position of the Company as at 31 December 2022 and 2023, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended 31 December 2021, 2022 and 2023 (the "**Track Record Period**"), and a summary of material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I – 3 to I – 73 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated 21 June 2024 (the "**Document**") in connection with the **[REDACTED]** of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's financial position as at 31 December 2022 and 2023, the Group's financial position as at 31 December 2021, 2022 and 2023 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I – 3 have been made.

Dividends

We refer to note 26(e) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its incorporation.

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

21 June 2024

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP Xiamen Branch in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all value are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Consolidated statements of profit or loss and other comprehensive income
*(Expressed in Renminbi ("**RMB**"))*

		Year ended 31 December		
		2021	2022	2023
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*4*	479,118	413,091	609,301
Cost of sales		(387,930)	(309,453)	(459,982)
Gross profit		91,188	103,638	149,319
Other net income	*5*	5,850	4,750	5,018
Selling expenses		(5,080)	(3,436)	(3,298)
Administrative expenses		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Research and development expenses		(19,208)	(17,680)	(25,873)
Profit from operations		52,399	54,272	86,692
Finance costs	*6(a)*	(11,480)	(15,332)	(16,682)
Profit before taxation	*6*	40,919	38,940	70,010
Income tax	*7(a)*	(4,746)	(3,965)	(1,339)
Profit for the year		36,173	34,975	68,671
Other comprehensive income for the year		–	–	–
Total comprehensive income for the year		36,173	34,975	68,671
Attributable to:				
Equity shareholders of the Company		36,173	34,473	68,592
Non-controlling interests		–	502	79
Profit for the year		36,173	34,975	68,671
Earnings per share				
Basic and diluted	*10*	N/A	N/A	N/A

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of financial position

(Expressed in RMB)

	Note	As at 31 December 2021 RMB'000	2022 RMB'000	2023 RMB'000
Non-current assets				
Property, plant and equipment	11	21,623	21,845	34,003
Investment property	12	19,892	19,367	18,841
Investments in associates	13	–	–	7,424
Trade receivables	16(a)	40,625	16,533	27,136
Prepayment for purchases of properties	17	7,096	13,956	–
Deferred tax assets	25(b)	9,118	23,984	6,513
		98,354	95,685	93,917
Current assets				
Inventories and other contract costs	14	20,295	20,195	11,240
Contract assets	15(a)	513,462	539,645	726,829
Trade and other receivables	16(a)	219,753	304,969	244,601
Other financial assets		6	9	34
Pledged bank deposits	18	5,281	5,366	3,193
Cash and cash equivalents	19	39,850	68,646	81,540
		798,647	938,830	1,067,437
Current liabilities				
Trade and other payables	20	443,540	437,551	677,514
Contract liabilities	15(b)	5,102	7,644	4,795
Lease liabilities	21	111	45	145
Bank borrowings	22	311,449	375,198	347,458
Current taxation	25(a)	9,195	24,903	1,258
		769,397	845,341	1,031,170
Net current assets		29,250	93,489	36,267
Total assets less current liabilities		127,604	189,174	130,184
Non-current liabilities				
Lease liabilities	21	–	13	129
Deferred income	23	1,941	1,887	1,833
Other non-current liabilities	20	1,127	–	–
		3,068	1,900	1,962
NET ASSETS		124,536	187,274	128,222

		As at 31 December		
		2021	**2022**	**2023**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
CAPITAL AND RESERVES				
Share capital	*26(b)*	–	82	83
Share premium	*26(c)*	–	12,119	12,112
Reserves	*26(d)*	124,536	173,055	116,027
Total equity attributable to equity shareholders of the Company		124,536	185,256	128,222
Non-controlling interests		–	2,018	–
TOTAL EQUITY		124,536	187,274	128,222

The accompanying notes form part of the Historical Financial Information.

Statements of financial position of the Company
(Expressed in RMB)

		As at 31 December	
		2022	**2023**
	Note	*RMB'000*	*RMB'000*
Non-current assets			
Investment in a subsidiary		*	12,119
Current assets			
Other receivables	*16(b)*	12,545	84
Net current assets		12,545	84
Total assets less current liabilities		12,545	12,203
NET ASSETS		12,545	12,203
CAPITAL AND RESERVES			
Share capital	*26(b)*	82	83
Share premium	*26(c)*	12,119	12,112
Reserves	*26(d)*	344	8
TOTAL EQUITY		12,545	12,203

* *The balances represent amounts less than RMB1,000.*

Note:

(i) Investment in a subsidiary represents the paid-in capital of Zhonggan Communication (BVI) Holding Co., Ltd. ("**Zhonggan BVI**"). Zhonggan BVI was incorporated on 24 May 2022 with issued capital of USD1.00. Subsequently in 2023, the Company injected RMB12,119,000 to Zhonggan BVI, which increased the Company's investment in the subsidiary.

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of changes in equity

(Expressed in RMB)

	Note	Attributable to equity shareholders of the Company							
		Share capital	Share premium	Other reserve	PRC statutory reserve	Accumulated losses/ Retained profits	Total	Non-controlling interests	Total equity
		RMB'000 *Note 26(b)*	*RMB'000* *Note 26(c)*	*RMB'000* *Note 26(d)(i)*	*RMB'000* *Note 26(d)(ii)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2020		–	–	73,388	6,070	(3,133)	76,325	–	76,325
Changes in equity for the year ended 31 December 2020									
Profit and total comprehensive income for the year		–	–	–	–	32,306	32,306	–	32,306
Capital injection	*26(d)(i)*	–	–	37,130	–	–	37,130	–	37,130
Share repurchase	*26(d)(i)*	–	–	(11,326)	(4,436)	–	(15,762)	–	(15,762)
Appropriation to PRC statutory reserves		–	–	–	3,231	(3,231)	–	–	–
Balance at 31 December 2020		–	–	99,192	4,865	25,942	129,999	–	129,999
Balance at 1 January 2021		–	–	99,192	4,865	25,942	129,999	–	129,999
Changes in equity for the year ended 31 December 2021									
Profit and total comprehensive income for the year		–	–	–	–	36,173	36,173	–	36,173
Share repurchase	*26(d)(i)*	–	–	(37,130)	(2,688)	(1,818)	(41,636)	–	(41,636)
Appropriation to PRC statutory reserves		–	–	–	3,617	(3,617)	–	–	–
Balance at 31 December 2021 and 1 January 2022		–	–	62,062	5,794	56,680	124,536	–	124,536
Balance at 1 January 2022		–	–	62,062	5,794	56,680	124,536	–	124,536
Changes in equity for the year ended 31 December 2022									
Profit and total comprehensive income for the year		–	–	–	–	34,473	34,473	502	34,975
Capital injection	*26(d)(i)*	–	–	27,681	–	–	27,681	–	27,681
Arising from reorganisation		82	12,119	(13,635)	–	–	(1,434)	1,516	82
Appropriation to PRC statutory reserves		–	–	–	3,376	(3,376)	–	–	–
Balance at 31 December 2022 and 1 January 2023		82	12,119	76,108	9,170	87,777	185,256	2,018	187,274

	Note	Attributable to equity shareholders of the Company							
		Share capital	**Share premium**	**Other reserve**	**PRC statutory reserve**	**Accumulated losses/ Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
		RMB'000 *Note 26(b)*	*RMB'000* *Note 26(c)*	*RMB'000* *Note 26(d)(i)*	*RMB'000* *Note 26(d)(ii)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2023		82	12,119	76,108	9,170	87,777	185,256	2,018	187,274
Changes in equity for the year ended 31 December 2023									
Profit and total comprehensive income for the year		–	–	–	–	68,592	68,592	79	68,671
Arising from reorganisation	*Note 26(d)(i)*	1	(7)	(76,108)	–	(49,512)	(125,626)	(2,097)	(127,723)
Appropriation to PRC statutory reserves		–	–	–	6,933	(6,933)	128,197	–	–
Balance at 31 December 2023		83	12,112	–	16,103	99,924	128,222	–	128,222

The accompanying notes form part of the Historical Financial Information.

Consolidated cash flow statements

(Expressed in RMB)

		Year ended 31 December		
		2021	2022	2023
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Operating activities				
Cash generated from/(used in) operations	*19(b)*	(9,819)	(33,564)	58,231
Income tax paid	*25(a)*	(2,427)	(3,123)	(9,793)
Net cash generated from/(used in) operating activities		(12,246)	(36,687)	48,438
Investing activities				
Payment for the purchase of property, plant and equipment		(7,606)	(8,528)	(863)
Proceeds from disposal of property, plant and equipment		1	7	–
Interest received		112	119	180
Payment for purchase of other financial assets		(4)	(2)	(23)
Net cash used in investing activities		(7,497)	(8,404)	(706)
Financing activities				
Capital element of lease rentals paid	*19(c)*	(384)	(448)	(172)
Interest element of lease rentals paid	*19(c)*	(8)	(5)	(15)
Proceeds from bank borrowings	*19(c)*	311,000	407,000	397,000
Repayment of bank borrowings	*19(c)*	(205,000)	(343,000)	(425,000)
Increase in pledged bank deposit	*18*	(44)	(31)	(64)
Interest paid	*19(c)*	(13,177)	(15,344)	(16,400)
Capital injection from shareholders	*26(d)(i)*	–	27,681	12,119
Repurchase of shares of the companies now comprising the Group		(41,636)	–	–
[REDACTED]		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Net cash (used in)/generated from financing activities		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Net increase in cash and cash equivalents		30,861	28,796	12,925
Cash and cash equivalents at 1 January	*19(a)*	8,989	39,850	68,646
Effect of foreign exchange		–	–	(31)
Cash and cash equivalents as at 31 December	*19(a)*	39,850	68,646	81,540

The accompanying notes form part of the Historical Financial Information.

Notes to the Historical Financial Information
(Expressed in RMB unless otherwise indicated)

1 Basis of preparation and presentation of Historical Financial Information

1.1 General information

Zhonggan Communication (Group) Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 20 April 2022 as an exempted company with limited liability under the Cayman Islands Companies Act.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the group reorganisation mentioned below. The Company and its subsidiaries (together, the "**Group**") are principally engaged in the provision of (i) telecommunications infrastructure services which comprises infrastructure construction services and maintenance services and (ii) digitalisation solution services for the Group's customers (together, the "**[REDACTED]**") in the People's Republic of China (the "**PRC**").

1.2 Reorganisation and basis of presentation

Prior to the incorporation of the Company and completion of the group reorganisation mentioned below, the **[REDACTED]** was carried out by Zhonggan Communication Company Limited and its subsidiaries (together, "**Zhonggan Communication**"). To rationalise the corporate structure in preparation of the **[REDACTED]** of the Company's shares on The Stock Exchange of Hong Kong Limited, the Group underwent the group reorganisation, as detailed in the section headed "History, Reorganisation and Corporate Structure" in the Document (the "**Reorganisation**").

On 25 August 2022, the Company became the holding company of the companies now comprising the Group.

The Reorganisation only involved inserting newly formed investment entities with no substantive operations as holding companies of Zhonggan Communication, and there were no changes in the economic substance of the ownership, business and operations of the Group before and after the Reorganisation. Accordingly, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of Zhonggan Communication with the assets and liabilities of Zhonggan Communication recognised and measured at their historical carrying amounts prior to the Reorganisation.

Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

1.3 Subsidiaries

As at the date of this report, no statutory financial statements have been prepared for the Company as it is an investment holding company and is not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation. The financial statements of the subsidiaries of the Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries regions in which they were incorporated and/or established.

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Company name	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital/ registered capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by the subsidiary	Principal activities	Name of statutory auditor
Directly held						
Zhonggan Communication (BVI) Holding Co., Ltd ("**Zhonggan BVI**")	British Virgin Islands (BVI)/ 24 May 2022	US$1/US$50,000	100%	–	Investment holding	note (v)
Indirectly held						
Zhonggan Communication Hong Kong Limited（中贛通信香港有限公司）	Hong Kong/ 9 June 2022	HK$1/ HK$1	–	100%	Investment holding	note (v)
Jiangxi Zhongge Communication Company Limited ("**Jiangxi Zhongge**")（江西中歌通信有限公司） *(notes (i) and (ii))*	PRC/ 18 July 2022	HK$13,021,217/ HK$22,806,837	–	100%	Investment holding	note (v)
Zhonggan Communication Company Limited（中贛通信(集團)有限公司） *(notes (i) and (iii))*	PRC/ 23 May 2002	RMB65,522,636/ RMB65,522,636	–	100%	Infrastructure Construction Services/ Digitalisation Solution Services/ Maintenance Services	note (iv)
Jiangxi Gelapu Technology Company Limited（江西戈拉普科技有限公司） *(notes (i) and (iii))*	PRC/ 30 November 2017	RMB30,000,000/ RMB30,000,000	–	100%	Digitalisation Solution Services	note (v)
Gantong Communication (Jiangxi) Company Limited（贛通通信(江西)有限公司） *(notes (i) and (iii))*	PRC/ 28 October 2019	RMB10,000,000/ RMB10,000,000	–	100%	Yet to commence business activities	note (v)
Gantong Communication (Xiamen) Company Limited（贛通通信(廈門)有限公司） *(notes (i) and (iii))*	PRC/ 12 November 2021	RMB Nil/ RMB1,000,000	–	100%	Yet to commence business activities	note (v)
Jiangxi Gelapu Software Company Limited（江西歌拉普軟件有限公司） *(notes (i) and (iii))*	PRC/ 11 February 2022	RMB Nil/ RMB5,000,000	–	100%	Digitalisation Solution Services	note (v)

Notes:

(i) The official name of this entity is in Chinese. The English name is for identification purpose only.

(ii) This entity was registered as a wholly foreign-owned enterprise under the PRC Law.

(iii) These entities were registered as domestic enterprises under the PRC Law.

(iv) The statutory financial statements for Zhonggan Communication Company Limited for the year ended 31 December 2022 was audited by Nanchang Weida Accounting Firm. No statutory financial statements were prepared for the years ended 31 December 2021 and 2023.

(v) No statutory audited financial statements have been prepared for these companies during the Track Record Period as they were not required to issue audited financial statements under the statutory requirements of their places of incorporation.

All companies now comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). Further details of the material accounting policy information are set out in note 2.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised HKFRSs to the Track Record Period consistently throughout the Track Record Period. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2023 are set out in note 31.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

2 Material accounting policy information

(a) Basis of measurement

The Historical Financial Information is presented in RMB, rounded to the nearest thousand unless otherwise indicated.

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis.

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(o) or (p) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)(ii)).

(d) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over in the financial and operating policies.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate, after applying the ECL model to such other long-term interests where applicable (see note 2(j)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

(e) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses. Rental income from investment properties is accounted for as described in note 2(t)(ii)(a).

Depreciation is calculated to write off the costs of investment properties, less its residual value of 5%, if any, using the straight-line method over their estimated useful lives of 40 years. Both the useful life and residual value, if any, are reviewed annually.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(j)(ii)):

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write-off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Buildings	10-40 years
– Machinery	5 years
– Motor vehicles	8 years
– Office and other equipment	3 years
– Right-of-use assets (see note 2(j))	15-36 months

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(g) Construction in progress

Construction in progress represents buildings and plant under construction and machinery and equipment under installation and testing, and is stated at cost less accumulated impairment loss, if any (see note 2(j)(ii)). The cost includes the direct costs of construction, plant and equipment.

Construction in progress is not depreciated until such time as the assets are completed and ready for operational use, after which the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in note 2(f).

(h) Research and development expenses

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group has sufficient resources and the intention to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and impairment losses.

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease components and non-lease components, the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(f) and 2(j)(ii)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost. Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in "property, plant and equipment" and presents lease liabilities separately in the consolidated statements of financial position.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(t)(ii)(a).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2(i)(i), then the Group classifies the sub-lease as an operating lease.

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, pledged bank deposits and trade and other receivables); and

– contract assets as defined in HKFRS 15 (see note 2(l)).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof; and

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are re-measured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 2(t)(ii)(b) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets and construction in progress;

– investment property; and

– investments in a subsidiary in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Other contract costs

Other contract costs are the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 2(k)(i)) or, property, plant and equipment (see note 2(f)).

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 2(t).

(l) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(t)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 2(j)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(m)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(t)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(m)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(l)).

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see note 2(j)(i)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and demand deposits with banks. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2(j)(i).

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, loan and borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(v)).

(q) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(r) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable on the taxable income and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

– temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

– taxable temporary differences arising on the initial recognition of goodwill; and

– those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(s) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

(i) Revenue from contracts with customers

Revenue is recognised when the Group satisfies a performance obligation in a contract. A performance obligation represents a distinct good or service that is transferred by the Group to the customer, and is satisfied when the customer obtains control over that distinct good or service. The Group recognises revenue, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following conditions is met: (i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; (ii) the customer is able to control goods in the progress during the Group's performance; (iii) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognised at a point of time when the customer obtains control over the relevant goods or services.

Where the contract contains a financing component which provides a significant financing benefit to the customer, the Group adjusts the promised amount of consideration for the effects of time value of money by using a discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(a) Provision of infrastructure construction services

The Group recognises revenue from provision of infrastructure construction services over time because the Group's construction activities create or enhance assets controlled by the customers. The Group adopts the input method to measure performance progress and revenue is recognised based on the proportion of the actual costs incurred relative to the estimated total costs. Where the performance progress cannot be determined reasonably, revenue is recognised based on the amount of cost that is expected to be compensated based on the cost already incurred, until the performance progress can be reasonably determined.

The likelihood of the Group suffering settlement amount adjustments resulting from final completion inspection and project settlement audit are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The Group applies the most likely amount approach to estimate such variable consideration by considering the single most likely amount in a limited range of possible consideration amounts, taking into account the Group's current progress and adjustment rates over historical periods.

(b) Provision of digitalisation solution services

In this business model, the Group provides the following 3 types of services based on customer needs:

(i) Integrated solution services

The Group designs and provides integrated IT solutions for the customers by integrating different hardware and software based on the service specifications of the customers. The Group develops the integrated IT solutions at the sites designated by the customers. As the Group's performance creates or enhances assets that the customers control as the Group performs, the Group recognises revenue over time. The Group adopts the input method to measure performance progress and revenue is recognised based on the proportion of the actual costs incurred relative to the estimated total costs. Where the performance progress cannot be determined reasonably, revenue is recognised based on the amount of cost that is expected to be compensated based on the cost already incurred, until the performance progress can be reasonably determined.

(ii) System maintenance service

The Group offers optional system maintenance service to provide on-site support to the customers of the integrated solution services. If the customer chooses to purchase system maintenance service, the Group allocates the transaction price to the integrated solution services and system maintenance services. As the Group does not sell the system maintenance service separately, it uses expected cost plus a margin approach to estimate the stand-alone selling price of the system maintenance service. Revenue from the system maintenance service is recognised over time on a straight-line basis as the customer simultaneously receives and consumes the benefits as the Group performs and the Group's efforts are expended evenly during the on-site support period.

(iii) Software solution services

In this service type, the Group grants a licence to customers which allow them to use the software developed by the Group. As the software has standalone functionality and the Group will not undertake future activities that will significantly change the functionality of the software, the Group recognises revenue from the software licensing at a point in time when the customers are able to use the software.

(c) Provision of maintenance services in relation to infrastructure

The Group provides maintenance and repair services to fix and rectify technical issues for infrastructure owned by third parties within their contracted period. Revenue from maintenance and repair service is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Additionally, the Group provides emergency and sporadic repair and maintenance service for customers case by case, the Group recognises revenue upon the completion of the emergency and sporadic service because the service is completed within one day.

(ii) Other income

(a) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(b) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(j)(i)).

(c) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised by setting up the grant as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group operates in a single business segment, accordingly, no segmental analysis is presented.

3 Accounting judgements and estimates

Estimates and judgements are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing these financial statements. The principal accounting policies are set forth in note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the Historical Financial Information.

(a) Loss allowances of trade receivables and contract assets

The Group estimates the loss allowances for trade receivables and contract assets by assessing the ECLs. This requires the use of estimates and judgements. ECLs are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecasted general economic conditions at the end of reporting period. The Group keeps assessing the expected credit loss of trade receivables and contract assets during their expected lives.

(b) Recognition of deferred tax assets

Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

4 Revenue

The principal activities of the Group are the provision of infrastructure construction services, digitalisation solution services and maintenance services for customers in the PRC.

(i) Disaggregation of revenue

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15			
Disaggregated by major products or service lines			
Revenue from telecommunications infrastructure services			
– infrastructure construction services	344,631	309,276	463,367
– infrastructure maintenance services	25,160	33,224	37,990
Revenue from digitalisation solution services			
– integrated solution services	107,364	10,148	41,258
– system maintenance services	1,963	2,044	470
– software solution services	–	58,399	66,216
	479,118	413,091	609,301

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition			
– Over time	467,054	338,214	520,288
– Point in time	12,064	74,877	89,013
	479,118	413,091	609,301

Revenue from major group customers which accounts for 10% or more of the Group's revenue are set out below:

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Customer A	332,929	237,660	297,250
Customer B	N/A*	60,816	126,362
Customer C	61,071	N/A*	N/A*
Customer D	N/A*	89,403	132,080
	394,000	387,879	555,692

* *Less than 10% of the Group's revenue in the respective years.*

Details of concentration of credit risk are set out in note 27(a).

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence as at 31 December 2021, 2022 and 2023.

As at 31 December 2021, 2022 and 2023, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing digitalisation solution services contracts is RMB2,810,000, RMB767,000 and RMB1,274,000 respectively. The Group will recognise the expected revenue in future when or as the service is provided, which is expected to occur over the next 1 to 5 years after each reporting date.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts that had an original expected duration of one year or less.

5 Other net income

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Interest income *(note (i))*	2,043	3,016	1,354
Bank deposit interest income	112	119	180
Government grants *(note (ii))*	3,254	869	3,248
Rentals income from investment properties less direct outgoings	642	642	642
(Loss)/gain on disposal of property, plant and equipment and other financial assets	(25)	(103)	2
Share of profits of associates	–	–	74
Net foreign exchange gain/(loss)	–	344	(732)
Others	(176)	(137)	250
	5,850	4,750	5,018

Notes:

(i) The interest income is attributable to the significant financing benefit to the Group for contracts containing a financing component in accordance with the accounting policies as set out in note 2(t).

(ii) The government grants mainly represent awards from Jiangxi government authorities attributable to (i) the recognition of the Group's efforts in reducing corporate costs and optimising development environment, (ii) the support for Zhonggan Communication's previous A-Share listing plan and equity financing activities, (iii) the recognition of the Group's contribution to the development of high-tech industries in Nanchang, (iv) as subsidies for the Group's research and development activities and (v) software VAT refund upon collection.

6 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
(a) Finance costs			
Interest on bank borrowings	10,920	15,093	16,660
Interest on contract contains a financing component	552	234	7
Interest on lease liabilities	8	5	15
	11,480	15,332	16,682

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
(b) Staff costs			
Salaries, discretionary bonus and allowance	26,911	25,550	24,459
Contributions to defined contribution retirement plan *(note 24)*	2,175	1,865	2,625
	29,086	27,415	27,084
(c) Other items			
Depreciation			
– property, plant and equipment *(note 11)*	1,698	1,564	1,517
– investment property *(note 12)*	526	525	526
– right-of-use assets *(note 11)*	334	202	284
Impairment losses/(reversal)			
– trade receivables *(note 16)*	3,165	8,373	12,426
– contract assets *(note 15(a))*	98	1,491	(1,158)
– other receivables *(note 16)*	496	978	426
Short-term and low-value assets lease charges	482	476	292
Research and development costs (excluding staff cost)	10,548	7,280	15,037
Labour cost *(note (i))*	299,670	275,820	403,203
Cost of inventories *(note (ii))*	49,117	5,939	23,807
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(i) The Group engages labour suppliers to supplement the Group's labor force in performing labour intensive projects.

(ii) Cost of inventories mainly include the cost of hardware used for the provision in digitalisation solution services.

7 Income tax in the consolidated statements of profit or loss and other comprehensive income

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Current tax			
Provision for the year	9,948	18,831	(16,132)
Deferred tax			
Origination and reversal of temporary differences *(note 25(b))*	(5,202)	(14,866)	17,471
	4,746	3,965	1,339

(b) Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	40,919	38,940	70,010
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned *(notes (i), (ii) and (iii))*	10,229	9,735	17,503
Tax effect of PRC preferential tax treatments *(notes (iv) and (vi))*	(4,092)	(3,971)	(13,817)
Tax effect of additional deduction on research and development costs *(note (v))*	(1,750)	(2,197)	(2,966)
Tax effect of non-deductible expenses	359	398	619
Actual tax expense	4,746	3,965	1,339

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) No provision for Hong Kong Profits Tax has been made, as the subsidiary of the Group incorporated in Hong Kong did not have assessable profits which are subject to Hong Kong Profits Tax during the Track Record Period.

(iii) The subsidiaries of the Group established in the PRC is subject to PRC Corporate Income Tax rate at the statutory rate of 25%.

(iv) The PRC Corporate Income Tax Law allows enterprises to apply for certificate of "High and New Technology Enterprise" ("**HNTE**") which entitles the qualified companies to a preferential income tax rate of 15%, subject to fulfilment of the recognition criteria. Zhonggan Communication was qualified as an HNTE since 2015, Jiangxi Gelapu Technology Company Limited was qualified as an HNTE since 2020, and these qualifications have remained valid throughout the Track Record Period.

(v) According to the relevant tax rules in the PRC, qualified research and development costs are allowed for bonus deduction for income tax purpose, as a result, an additional 75%, 100% and 100% of the qualified research and development costs could be deemed as deductible expenses in 2021, 2022 and 2023 respectively.

(vi) According to the PRC Corporate Income Tax Law and its implementation regulations, Jiangxi Gelapu Software Company Limited was qualified as a "Small Low-profit Enterprise" and enjoyed a reduced corporate income tax rate of 20% in 2022. In addition, Jiangxi Gelapu Software Company Limited was qualified as a "Double-soft Enterprise" in 2023, which entitles the qualified companies to enjoy full exemption from corporate income tax for the first two years from the profit-making year and a 50% reduction on corporate for the next subsequent three years.

(vii) According to the PRC Corporate Income Tax Law and its implementation regulations, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. In addition, under the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and its relevant regulations, a qualified Hong Kong tax resident will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interests of the PRC company.

The provision of the related deferred tax liabilities, if any, are based on the expected dividends to be distributed from these subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008. Deferred tax liabilities have not been recognised in respect of the tax that would be payable on the distribution of the retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

8 Directors' emoluments

For the Track Record Period, details of the emoluments of the directors of the Company are as follows:

	Year ended 31 December 2021				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr Liu Haoqiong	–	965	–	6	971
Mr Liu Dingli	–	247	–	6	253
Mr Peng Shengqian	–	611	–	10	621
Mr Zhou Zhiqiang	–	145	32	6	183
Ms Xie Xiaolan	–	82	81	–	163
Mr Liu Dingyi	–	80	13	6	99
	–	2,130	126	34	2,290

	Year ended 31 December 2022				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr Liu Haoqiong	–	866	–	7	873
Mr Liu Dingli	–	355	–	7	362
Mr Peng Shengqian	–	610	–	12	622
Mr Zhou Zhiqiang	–	229	–	7	236
Ms Xie Xiaolan	–	273	–	–	273
Mr Liu Dingyi	–	115	–	7	122
	–	2,448	–	40	2,488

	Year ended 31 December 2023				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Liu Haoqiong	–	404	–	7	411
Mr. Liu Dingli	–	382	–	7	389
Mr. Peng Shengqian	–	169	–	20	189
Mr. Zhou Zhiqiang	–	193	–	7	200
Ms. Xie Xiaolan	–	192	–	–	192
Mr. Liu Dingyi	–	150	–	7	157
	–	1,490	–	48	1,538

On 19 May 2022, Mr. Liu Haoqiong, Mr. Liu Dingli, Mr. Peng Shengqian, Ms. Tao Xiulan, Ms. Xie Xiaolan and Mr. Liu Dingyi were appointed as executive directors of the Company. On 13 September 2022, Ms. Tao Xiulan resigned as director of the Company, and Mr. Zhou Zhiqiang was appointed as director of the Company on the same day.

All executive directors acted as key management personnel of the Group during the Track Record Period and the emoluments disclosed above include those for services rendered by them as key management personnel of the Group.

During the Track Record Period, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in note 9 below as an inducement to join or upon joining the Group or as a compensation for loss of office. There was no arrangement under which an executive director waived or agreed to waive any remuneration during the Track Record Period.

9 Individuals with highest emoluments

During the Track Record Period, of the five individuals with the highest emoluments, three, three and two are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining two, two, three and three individuals are as follows:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other emoluments	527	1,039	858
Retirement scheme contributions	15	19	21
	542	1,058	879

The emoluments of the individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following band:

	Year ended 31 December		
	2021	**2022**	**2023**
	Number of individuals	*Number of individuals*	*Number of individuals*
Nil – HK$1,000,000	2	2	3

10 Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results during the Track Record Period using the basis of preparation as disclosed in note 1 above.

11 Property, plant and equipment

	Buildings	Machinery	Motor vehicles	Office and other equipment	Sub-total	Right-of-use assets	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2021	24,378	2,571	1,915	3,393	32,257	1,014	–	33,271
Additions	–	–	–	128	128	134	432	694
Disposals	–	–	–	(520)	(520)	(624)	–	(1,144)
As at 31 December 2021 and 1 January 2022	24,378	2,571	1,915	3,001	31,865	524	432	32,821
Additions	–	–	–	215	215	395	1,488	2,098
Disposals	–	(1,767)	(118)	(104)	(1,989)	(390)	–	(2,379)
As at 31 December 2022 and 1 January 2023	24,378	804	1,797	3,112	30,091	529	1,920	32,540
Additions	–	150	–	110	260	388	13,311	13,959
Transfer from construction in progress	2,321	–	–	41	2,362	–	(2,362)	–
As at 31 December 2023	26,699	954	1,797	3,263	32,713	917	12,869	46,499
Accumulated depreciation:								
As at 1 January 2021	(3,403)	(2,124)	(1,755)	(2,372)	(9,654)	(630)	–	(10,284)
Charge for the year	(1,078)	(163)	–	(457)	(1,698)	(334)	–	(2,032)
Written back on disposals	–	–	–	494	494	624	–	1,118
As at 31 December 2021 and 1 January 2022	(4,481)	(2,287)	(1,755)	(2,335)	(10,858)	(340)	–	(11,198)
Charge for the year	(1,078)	(152)	–	(334)	(1,564)	(202)	–	(1,766)
Written back on disposals	–	1,678	112	89	1,879	390	–	2,269
As at 31 December 2022 and 1 January 2023	(5,559)	(761)	(1,643)	(2,580)	(10,543)	(152)	–	(10,695)
Charge for the year	(1,313)	(41)	–	(163)	(1,517)	(284)	–	(1,801)
As at 31 December 2023	(6,872)	(802)	(1,643)	(2,743)	(12,060)	(436)	–	(12,496)
Net book value:								
As at 31 December 2021	19,897	284	160	666	21,007	184	432	21,623
As at 31 December 2022	18,819	43	154	532	19,548	377	1,920	21,845
As at 31 December 2023	19,827	152	154	520	20,653	481	12,869	34,003

Notes:

(i) All property, plant and equipment owned by the Group are located in the PRC.

(ii) The Group has obtained the right to use certain staff dormitory through tenancy agreements during the Track Record Period. The leases typically run for an initial period of 15 to 36 months. None of the leases includes variable lease payments.

(iii) As at 31 December 2021, 2022 and 2023, property, plant and equipment with a carrying amount of RMB19,897,000, RMB18,819,000 and RMB19,827,000 respectively are pledged to secure the Group's bank borrowings (note 22).

12 Investment property

	Buildings
	RMB'000
Cost:	
At 1 January 2021, 31 December 2021, 2022 and 2023	22,125
Accumulated amortisation:	
At 1 January 2021	(1,707)
Charge for the year	(526)
At 31 December 2021 and 1 January 2022	(2,233)
Charge for the year	(525)
At 31 December 2022 and 1 January 2023	(2,758)
Charge for the year	(526)
At 31 December 2023	(3,284)
Net book value:	
At 31 December 2021	19,892
At 31 December 2022	19,367
At 31 December 2023	18,841

The Group leases out investment property under operating leases. The leases run for an initial period of 20 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually increased every 3 years to reflect market rentals. Certain leases include variable lease payment terms that are based on the revenue of tenants.

The Group has engaged an independent, professional valuer to determine the fair value of the investment property using the market comparison approach and income approach as at 30 September 2021, 2022 and 2023 amounting to RMB27,886,320, RMB26,795,600 and RMB26,407,500 respectively. The directors of the Company have assessed and estimated the fair value of the investment properties as at 31 December 2021, 2022 and 2023 to be the same as their fair values as at 30 September 2021, 2022 and 2023 respectively.

As at 31 December 2021, 2022 and 2023, investment property with a carrying amount of RMB19,892,000, RMB19,367,000 and RMB18,841,000 respectively was pledged to secure the Group's bank borrowings (note 22).

Undiscounted lease payments under non-cancellable operating leases in place at each reporting date will be receivable by the Group in future periods as follows:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	1,183	1,183	1,183
After 1 year but within 2 years	1,183	1,183	1,227
After 2 years but within 3 years	1,183	1,227	1,242
After 3 years but within 4 years	1,227	1,242	1,242
After 4 years but within 5 years	1,242	1,242	1,242
After 5 years	18,418	17,176	15,934
	24,436	23,253	22,070

13 Interests in associates

The following list contains the particulars of associates, all of which are unlisted corporate entities whose quoted market price is not available:

				Proportion of ownership interest			
Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital/ registered capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Jian Qingyoupu Information Technology Limited (吉安青優普信息科技有限公司)	Incorporate	PRC	RMB Nil/ RMB5,000,000	49%	–	49%	Yet to commence business activities
Jiangxi Wanpuxing Information Technology Limited (江西灣普興科技有限公司)	Incorporate	PRC	RMB Nil/ RMB10,000,000	49%	–	49%	Digitalisation solution services

All of the above associates are accounted for using the equity method in the consolidated financial statements.

Aggregate information of associates that are not individually material:

	As at 31 December 2023
	RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	7,424
Aggregate amounts of the Group's share of those associates'	
Profit from continuing operations	74
Post-tax profit or loss from discontinued operations	–
Other comprehensive income	–
Total comprehensive income	74

14 Inventories and other contract costs

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Inventories ***(note i)***			
– Hardware	5,078	3,729	520
– Software	591	59	265
	5,669	3,788	785
Other contract costs ***(note ii)***	14,626	16,407	10,455
	20,295	20,195	11,240

Notes:

(i) Inventories

All of the inventories are expected to be recovered within one year.

(ii) Other contact costs

Contract costs capitalised as at 31 December 2021, 2022 and 2023 relate to the suppliers costs incurred in fulfilling construction contracts with customers. Contract costs are recognised as part of cost of sales in the statement of profit or loss and other comprehensive income in the period in which revenue is recognised. The amount of capitalised costs recognised in profit or loss during each of the years ended 31 December 2021, 2022 and 2023 was RMB14,626,000, RMB16,407,000 and RMB10,455,000 respectively. There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the Track Record Period.

All of the other capitalised contract costs are expected to be recovered within one year.

15 Contract assets and contract liabilities

(a) Contract assets

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Contract assets			
Arising from performance under provision of telecommunications infrastructure services			
– third parties	514,396	537,825	728,392
Less: loss allowance	(1,503)	(2,202)	(1,957)
	512,893	535,623	726,435
Arising from performance under provision of digitalisation solution services			
– third parties	728	4,972	431
Less: loss allowance	(159)	(950)	(37)
	569	4,022	394
	513,462	539,645	726,829
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables" *(note 16)*	224,943	260,154	249,995

The Group's contract assets consist of project money and retention money.

The payment billing of project money is normally conditional on the Group's work satisfactorily passing the customers' final inspection. On the other hand, revenue arising from such contracts are recognised based on their performance progress or upon completion in accordance with the accounting policies in note 2(t).

Given that the respective considerations can only be collected upon the Group's work satisfactorily passing the customers' final inspection, the difference between the revenue recognised based on the Group's accounting policies and the collection of consideration is recognised as a contract asset until the Group's work satisfactorily passes the customers' final inspection. As at 31 December 2021, 2022 and 2023, project money held as contract assets amounted to RMB509,127,000, RMB530,515,000 and RMB724,004,000 respectively.

The Group also typically agrees to retain 3% to 10% of the contract value as retention money for one to five years upon the completion of work. These amounts are included in contract assets until the end of the retention period as the Group's entitlement to these final payments are conditional on the proper functioning of the Group's projects throughout the retention period. As at 31 December 2021, 2022 and 2023, retention money held as contract assets amounted to RMB4,335,000, RMB9,130,000 and RMB2,825,000 respectively.

Contract assets are transferred to trade receivables when the rights become unconditional.

Further details on the Group's credit policy and credit risk arising from contract assets are set out in note 27(a).

(b) Contract liabilities

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities			
Billings in advance of performance	5,102	7,644	4,795

As at 31 December 2021, 2022 and 2023, billings in advance of performance are expected to be recognised as income within one year.

16 Trade and other receivables

(a) Trade and other receivables of the Group

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
– current	189,101	256,214	247,109
– non-current	40,660	16,564	28,504
	229,761	272,778	275,613
Bills receivable	–	568	–
Trade and bills receivables	229,761	273,346	275,613
Other receivables	24,683	14,630	9,872
Less: loss allowance	(6,061)	(15,412)	(28,264)
Trade and bills receivables and other receivables, net of loss allowance	248,383	272,564	257,221
Amounts due from related parties *(note 29(d))*	166	12,574	109
Current tax prepayment	–	–	2,280
Prepayment for labour and services	5,414	28,862	2,006
Prepayment for **[REDACTED]** expense	169	2,133	4,822
Deferred VAT refund	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(i) Apart from the non-current trade receivables as stated above, all of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

(ii) Bills receivable represented outstanding commercial acceptance bills. Bills receivable are due within 6 to 12 months from the date of issue of the bills.

(iii) As at 31 December 2021, 2022 and 2023, trade receivables and contract assets amounted to RMB729,213,000, RMB793,043,000 and RMB624,886,000 were pledged as security for bank borrowings (see note 22).

(iv) Other receivables represented tender bonds and performance bonds which will be released to the Group upon the award and the completion of the relevant projects, as the case may be.

(v) As at 31 December 2022, prepayment for labour and services mainly consisted of prepayment to project funds that will be used for the establishment of a research and development team and purchase of equipment and raw materials.

Ageing analysis

As at 31 December 2021, 2022 and 2023, the ageing analysis of trade and bills receivable, based on the transaction date or invoice date and net of loss allowance, are as follows:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Within 6 months	188,722	199,205	120,668
More than 6 months but within 12 months	22,117	37,239	88,135
More than 12 months but within 18 months	11,103	19,168	39,978
More than 18 months but within 24 months	2,371	13,415	13,570
More than 24 months	5,448	4,319	13,262
Trade and bills receivables	229,761	273,346	275,613
Less: loss allowance	(4,818)	(13,192)	(25,618)
	224,943	260,154	249,995

Trade receivables related to project money from telecommunications infrastructure services are normally due within 90 days from the date of billing. As at 31 December 2021, 2022 and 2023, project money receivable related to telecommunications infrastructure services amounted to RMB73,049,000, RMB72,623,000 and RMB69,712,000 respectively.

Trade receivables related to project money from digitalisation solution services are normally due within 90 days from the completion of work, and the Group has undertaken a few Integrated Solution Services projects for which a payment term of three to five years have been granted, which were provided at the special request of the customers. As at 31 December 2021, 2022 and 2023, project money receivable related to digitalisation solution services amounted to RMB149,153,000, RMB184,927,000 and RMB175,224,000 respectively.

Retention money is normally be settled within 90 days of the end of the retention period. As at 31 December 2021, 2022 and 2023, retention money receivable amounted to RMB2,741,000, RMB2,604,000 and RMB5,059,000 respectively.

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 27(a).

(b) Other receivables of the Company

Other receivables of the Company as at 31 December 2022 and 2023 are the amounts due from its shareholders arising from the Reorganisation.

17 Prepayment for purchases of properties

The Group paid installments of RMB7,096,000 and RMB13,956,000 for purchase of certain office units in Nanchang for office use for the years ended 31 December 2021 and 2022 respectively, in response to the anticipated growth of its digitalisation solution service business.

18 Pledged bank deposits

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Pledged for bank borrowings *(note 22)*	1,054	1,076	1,110
Pledged for bank facilities *(note 22)*	2,034	2,043	2,073
Pledged for letter of guarantee	2,193	2,247	10
	5,281	5,366	3,193

The pledged bank deposits will be released upon the settlement of bank borrowings and the maturity of bank facilities and letter of guarantee.

19 Cash and cash equivalents and other cash flow information

(a) Cash and cash equivalents in the consolidated cash flow statements comprise:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and on hand	39,850	68,646	81,540
	39,850	68,646	81,540

At 31 December 2021, 2022 and 2023, cash that is placed with banks in the Mainland China amounted to RMB39,850,000, RMB81,539,000 and RMB54,859,000 respectively. Remittance of funds out of Mainland China is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

(b) *Reconciliation of profit before taxation to cash generated from/(used in) operations:*

	Note	Year ended 31 December 2021 RMB'000	2022 RMB'000	2023 RMB'000
Profit before taxation		40,919	38,940	70,010
Adjustments for:				
Depreciation	6(c)	2,558	2,291	2,327
Interest expenses on bank borrowings and leases	6(a)	10,928	15,098	16,675
Interest income from bank deposit	5	(112)	(119)	(180)
Loss/(gain) on disposal of property, plant and equipment, other financial assets	5	25	103	(2)
Impairment losses recognised	6(c)	3,759	10,842	11,694
Share of profits of associates	5	–	–	(74)
Foreign exchange loss		–	–	31
Changes in working capital:				
Decrease in inventories and other contract costs		16,756	100	8,955
(Increase)/decrease in trade and other receivables		(90,903)	(85,664)	27,337
(Increase)/decrease in non-current trade receivables		(21,565)	17,236	(11,940)
Increase in contract assets		(73,788)	(27,673)	(186,026)
Increase/(decrease) in trade and other payables		100,764	(6,025)	120,090
Increase/(decrease) in contract liabilities		4,871	2,542	(2,849)
Decrease/(increase) in pledged deposits with banks		2,591	(54)	2,237
Decrease in other non-current liabilities		(6,568)	(1,127)	–
Decrease in deferred income		(54)	(54)	(54)
(Used in)/cash generated from operations		(9,819)	(33,564)	58,231

(c) *Reconciliation of liabilities arising from financing activities*

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank borrowings RMB'000 note 22	Lease Liabilities RMB'000 note 21	Total RMB'000
As at 1 January 2021	207,706	361	208,067
Changes from financing cash flows:			
Proceeds from new bank borrowings	311,000	–	311,000
Repayment of bank borrowings	(205,000)	–	(205,000)
Interest paid	(13,177)	–	(13,177)
Capital element of lease rentals paid	–	(384)	(384)
Interest element of lease rentals paid	–	(8)	(8)
Total changes from financing cash flows	92,823	(392)	92,431
Other changes			
Interest expense *(Note 6(a))*	10,920	8	10,928
Increase in lease liabilities from entering into new leases during the year	–	134	134
As at 31 December 2021	311,449	111	311,560

	Bank borrowings	Lease Liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*
	note 22	*note 21*	
As at 1 January 2022	311,449	111	311,560
Changes from financing cash flows:			
Proceeds from new bank borrowings	407,000	–	407,000
Repayment of bank borrowings	(343,000)	–	(343,000)
Interest paid	(15,344)	–	(15,344)
Capital element of lease rentals paid	–	(448)	(448)
Interest element of lease rentals paid	–	(5)	(5)
Total changes from financing cash flows	48,656	(453)	48,203
Other changes			
Interest expense *(note 6(a))*	15,093	5	15,098
Increase in lease liabilities from entering into new leases during the year	–	395	395
As at 31 December 2022	375,198	58	375,256

	Bank borrowings	Lease Liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*
	note 22	*note 21*	
As at 1 January 2023	375,198	58	375,256
Changes from financing cash flows:			
Proceeds from new bank borrowings	397,000	–	397,000
Repayment of bank borrowings	(425,000)	–	(425,000)
Interest paid	(16,400)	–	(16,400)
Capital element of lease rentals paid	–	(172)	(172)
Interest element of lease rentals paid	–	(15)	(15)
Total changes from financing cash flows	(44,400)	(187)	(44,587)
Other changes			
Interest expense *(note 6(a))*	16,660	15	16,675
Increase in lease liabilities from entering into new leases during the year	–	388	388
As at 31 December 2023	347,458	274	347,732

20 Trade and other payables

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
– third parties	385,996	362,836	438,053
Accrued payroll	4,865	3,497	4,049
Amounts due to shareholders *(note 29(d))*	1,176	12,143	144,861
Amounts due to associates *(note 29(d))*	–	–	7,350
Other tax payables	48,187	54,128	76,186
Other payables and accruals	3,316	4,947	7,014
	443,540	437,551	677,514

Notes:

(i) The above trade and other payables are expected to be settled within one year or are repayable on demand.

(ii) Other tax payables primarily comprised VAT payables.

As at 31 December 2021, 2022 and 2023, the ageing analysis of trade payables (which are included in trade and other payables), based on the transaction date, is as follows:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	349,056	265,277	327,691
Over 1 year but within 2 years	28,228	75,219	68,215
Over 2 years but within 3 years	1,905	13,642	20,938
Over 3 years	6,807	8,698	21,209
	385,996	362,836	438,053

(i) As at 31 December 2021, 2022 and 2023, other non-current liabilities amounted to RMB1,127,000, nil and nil are project money payable to labour suppliers, which is expected to be settled after more than one year.

21 Lease liabilities

As at 31 December 2021, 2022 and 2023, the lease liabilities were repayable as follows:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year or on demand	111	45	145
After 1 year but within 2 years	–	13	129
	111	58	274

22 Bank borrowings

(a) The Group's bank borrowings are repayable as follows:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year or on demand	311,449	375,198	347,458

(b) Assets pledged as security and covenants for bank loans and overdrafts

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Unsecured bank borrowings	–	50,026	50,074
Secured bank borrowings	311,449	325,172	297,384
	311,449	375,198	347,458

The bank borrowings are secured by certain assets of the Group and the carrying amounts of these assets are as below:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment *(note 11)*	19,897	18,819	19,827
Investment property *(note 12)*	19,892	19,367	18,841
Trade receivables and contract assets *(note 16)*	729,213	793,043	624,886
Bank deposits pledged for bank borrowings *(note 18)*	1,054	1,076	1,110
Bank deposits pledged for bank facilities *(note 18)*	2,034	2,043	2,073
	772,090	834,348	666,737

The amount of bank borrowings secured by assets of the Group and the shareholders, or guaranteed by the shareholders and their close family member, the key management personnel and their close family member of the Group (together, the "**Affiliated Individuals**") are as below:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Secured by trade receivables and contract assets of the Group	–	170,090	170,223
Secured by trade receivables and contract assets of the Group and guaranteed by Affiliated Individuals	156,225	–	–
Secured by trade receivables and contract assets of the Group, secured by the properties of shareholders and guaranteed by Affiliated Individuals	–	–	–
Secured by trade receivables, contract assets, property, plant and equipment and investment property of the Group, secured by the properties of shareholders and guaranteed by Affiliated Individuals	155,224	155,082	127,161
	311,449	325,172	297,384

As of the date of this report, the securities from shareholders and guarantees from the Affiliated Individuals have been released.

As at 31 December 2021, 2022 and 2023, the Group's bank borrowings from China Construction Bank Corporation, Nanchang Xihu Branch amounted to RMB155,224,000, RMB155,082,000 and RMB127,161,000 are subjected to loan covenants based on Zhonggan Communication's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If Zhonggan Communication were to breach the covenants, the bank borrowings would become payable on demand.

Zhonggan Communication's loan covenants based on its balance sheet ratios had been breached as at 31 December 2021, 2022 and 2023.

Further details of the Group's management of liquidity risk are set out in note 27(b).

23 Deferred income

	Government grant
	RMB'000
At 1 January 2021	1,995
Amortisation credited to consolidated statement of profit or loss and other comprehensive income	(54)
At 31 December 2021 and 1 January 2022	1,941
Amortisation credited to consolidated statement of profit or loss and other comprehensive income	(54)
At 31 December 2022 and 1 January 2023	1,887
Amortisation credited to consolidated statement of profit or loss and other comprehensive income	(54)
At 31 December 2023	1,833

24 Employee retirement benefits

Defined contribution retirement plans

Pursuant to the relevant labour rules and regulations in the PRC, the Group's subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the "**Schemes**") organised by the PRC municipal government authorities whereby the Group is required to make contributions to the Schemes based on a percentage of the participating employee's salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group has no other material obligation for the payment of pension benefits associated with the Schemes beyond the contributions described above.

25 Income tax in the consolidated statements of financial position

(a) *Movements of current taxation in the consolidated statements of financial position:*

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	1,674	9,195	24,903
Provision for the year *(note 7(a))*	9,948	18,831	(16,132)
Income tax paid	(2,427)	(3,123)	(9,793)
At the end of the year	9,195	24,903	(1,022)
Reconciliation to the consolidated statements of financial position:			
Current tax payable	9,195	24,903	1,258
Current tax prepayment *(note 16(a))*	–	–	(2,280)
	9,195	24,903	(1,022)

(b) *Deferred tax assets and liabilities recognised:*

(i) *Movement of each component of deferred tax assets and liabilities*

Deferred tax arising from:	Accrued expenses	Significant financing component	Credit loss allowances	Depreciation charge of property, plant and equipment	Right-of-use assets	Lease liabilities	Deferred income	Cumulative tax losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2021	2,527	336	595	162	(58)	54	300	–	3,916
Credited/(charged) to profit or loss	4,310	373	563	(29)	30	(37)	(8)	–	5,202
As at 31 December 2021 and 1 January 2022	6,837	709	1,158	133	(28)	17	292	–	9,118
Credited/(charged) to profit or loss	13,715	(417)	1,627	(13)	(29)	(8)	(9)	–	14,866
As at 31 December 2022 and 1 January 2023	20,552	292	2,785	120	(57)	9	283	–	23,984
Credited/(charged) to profit or loss	(18,948)	(185)	1,677	(24)	(15)	32	(8)	–	(17,471)
As at 31 December 2023	1,604	107	4,462	96	(72)	41	275	–	6,513

(ii) *Reconciliation to the consolidated statement of financial position*

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax asset in the consolidated statement of financial position	9,118	23,984	6,513

(c) Deferred tax liabilities not recognised

The Group did not recognise deferred tax liabilities in respect of the PRC dividend withholding tax relating to certain undistributed profits of the PRC subsidiaries as at 31 December 2021, 2022 and 2023 since the Group controls the dividend policy of these subsidiaries. Based on the assessment of the management, as of 31 December 2021, 2022 and 2023, the undistributed profits amounted to RMB56,680,000, RMB87,777,000 and RMB99,924,000 would not be distributed in the foreseeable future.

26 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity are set out below:

	Share capital	Share premium	Other reserve	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 20 April 2022 (date of incorporation)	*	–	–	*
Changes in equity for 2022:				
Profit and total comprehensive income for the year	–	–	344	344
Shares issued for reorganisation	82	12,119	–	12,201
Balance at 31 December 2022 and 1 January 2023	82	12,119	344	12,545
Changes in equity for 2023:				
Loss and total comprehensive income for the year	–	–	(336)	(336)
Shares issued for reorganisation	1	(7)	–	(6)
Balance at 31 December 2023	83	12,112	8	12,203

* *The balances represent amounts less than RMB1,000.*

(b) Share capital

The Company was incorporated in the Cayman Islands on 20 April 2022 with an authorised share capital of HK$100,000 divided into 1,000,000 Shares with a par value of HK$0.1 each.

Following its incorporation, the shares of the Company were allotted and issued to shareholders of Zhonggan Communications as part of the Reorganisation set out in note 1.

On 15 May 2023, the shareholders of the Company approved the issue of 11,260 shares at subscription price of HK$0.1 per share. As a result of the share issue, the Company had an authorised share capital of HK$101,126 divided into 1,011,260 shares.

	Number of shares
	'000
At 20 April 2022 (date of incorporation)	*
Shares issued	1,000
At 31 December 2022 and 1 January 2023	1,000
Shares issued	11
At 31 December 2023	1,011

* The balances represents less than 1,000.

(c) Share Premium

As at 31 December 2022 and 2023, share premium represented the amount of capital excess of share capital that the Company's shareholders has promised to inject into the Company as part of the Reorganisation set out in note 1.

(d) Nature and purpose of reserves

(i) Other reserve

As at 1 January 2021, 31 December 2021 and 2022, other reserve mainly consisted of the paid-in capital of Zhonggan Communication.

On 6 September 2019, certain shareholders of Zhonggan Communication and Gongqingcheng Yueda Investment Management Partnership (Limited Partnership) ("**Yue Da Investment**") entered into a share repurchase agreement. In accordance with the terms of the agreement, Zhonggan Communication paid a total of RMB15,763,000 to Yue Da Investment on 26 February 2020 to repurchase 10,952,190 of Zhonggan Communication's shares. The consideration paid for the repurchase will reduce the share capital and PRC statutory reserve of Zhonggan Communication, which will reduce the other reserve and PRC statutory reserve of the Group.

On 23 June 2020, shareholders of Zhonggan Communication and Nanchang Gao Xin Hang Chuang Ying Shan Hong Industrial Investment Partnership (Limited Partnership) ("**Gao Xin Hang Chuang**") entered into an investment agreement and a repurchase agreement. Pursuant to the agreement, Gao Xin Hang Chuang injected RMB37,130,000 to Zhonggan Communication on 24 June 2020 in exchange for 3,200,862 shares of Zhonggan Communication. The consideration received on the investment will increase share capital of Zhonggan Communication, which will increase the other reserve of the Group.

On 23 August 2021, Zhonggan Communication held an extraordinary general meeting, in which the shareholders of the Group approved the repurchase by Zhonggan Communication of its 3,200,862 shares held by Gao Xin Hang Chuang. On 20 October 2021, Gao Xin Hang Chuang, Zhonggan Communication and its shareholders entered into a supplemental agreement for share repurchase. Pursuant to the supplemental agreement, Zhonggan Communication paid a total RMB41,636,000 to Gao Xin Hang Chuang for the repurchase of its shares. The consideration paid for the repurchase will reduce the share capital, PRC statutory reserve and retained profits of Zhonggan Communication, which will reduce the other reserve, PRC statutory reserve and retain profits of the Group.

On 14 April 2022, shareholders of Zhonggan Communication and Ms. Yeung Hoi Ka entered into an investment agreement. Pursuant to the agreement, Ms. Yeung Hoi Ka injected RMB5,241,000 to Zhonggan Communication in April 2022 in exchange for 655,226 shares of Zhonggan Communication. The consideration received on the investment will increase share capital of Zhonggan Communication, which will increase the other reserve of the Group.

On 14 April 2022, shareholders of Zhonggan Communication and Shenzhen Youpo Business Consulting Partnership (Limited Partnership) ("**You Po Investment**") entered into an investment agreement. Pursuant to the agreement, You Po Investment injected RMB22,440,000 to Zhonggan Communication in April 2022 in exchange for 2,805,000 shares of Zhonggan Communication. The consideration received on the investment will increase share capital of Zhonggan Communication, which will increase the other reserve of the Group.

On 22 August 2022, as part of the Reorganisation, Jiangxi Zhongge, an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with shareholders of Zhonggan Communication (the "**Transferors**"), pursuant to which the Transferors agreed to transfer in aggregate approximately 98.9% of the equity interest in Zhonggan Communication to Jiangxi Zhongge for a cash consideration of RMB136,262,000. As Jiangxi Zhongge was newly established with insufficient capital, certain of the Transferors and Jiangxi Zhongge entered into a waiver agreement to waive the payment of a part of the consideration amounting to RMB124,142,000 which increased the other reserve of the Group. On 20 February 2023, the remaining 1.1% of the equity interest in Zhonggan Communication held by another shareholder was transferred to Jiangxi Zhongge for a cash consideration of RMB3,575,000, which was subsequently waived under a similar waiver agreement entered between the two parties which increased the other reserve of the Group. Subsequently on 14 December 2023, the relevant shareholders and Jiangxi Zhongge and Zhonggan

Communication enter into termination agreements to terminate the aforementioned waiver agreements and revive the obligation of Jiangxi Zhongge to pay the above considerations totaling RMB127,717,000 which decreased the other reserve of the Group.

(ii) Statutory reserve

In accordance with the relevant PRC laws and regulations, the Group's subsidiaries established in the PRC are required to transfer 10% of its net profit each year to the statutory reserve until the reserve reaches 50% of the registered capital. The transfer to this reserve must be made before distributions to equity holders. This reserve can be utilised in setting off accumulated losses or increase capital of the subsidiary and is non-distributable other than in liquidation.

(e) Dividends

No dividends were paid or declared by the Company or any of its subsidiaries during the Track Record Period.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

For the year ended 31 December 2021, 2022 and 2023, except as disclosed in note 22, neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

27 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks, for which the Group considers to have a low credit risk. The Group's credit risk is primarily attributable to trade receivables and contract assets and other receivables.

Trade receivables and contract assets comprise project money and retention money. Project money is transferred from contract assets to trade receivables when the Group's work satisfactorily passes inspection. Trade receivables related to project money from telecommunications infrastructure services are normally due within 90 days from the date of billing. Trade receivables related to project money from digitalisation solution services are normally due within three to five years. Retention money is transferred from contract assets to trade receivables at the end of the retention period (which is normally due within one to five years upon the completion of work). Trade receivables related to retention money are normally due within 90 days from the end of retention period. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2021, 2022 and 2023, 79.12%, 72.12% and 69.66% of total trade receivables and contract assets, respectively, were due from the Group's largest customer in each year during the Track Record Period, and 98.63%, 99.04% and 98.90% of total trade receivables and contract assets, respectively, were due from the five largest customers in each year during the Track Record Period.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. When reasonable and supportable information to measure lifetime ECLs on individual trade receivables and contract assets is available, the Group measures loss allowances for those trade receivables and contract assets on an individual basis. As the Group's historical credit loss experience indicate different loss patterns between project money and retention money, the loss allowance is further distinguished between project money and retention money.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets related to project money as at 31 December 2021, 2022 and 2023:

	As at 31 December 2021		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current	0.09%	694,773	607
Less than 6 months past due	1.23%	17,048	210
More than 6 months but less than 12 months past due	5.73%	20,490	1,174
More than 12 months but less than 18 months past due	25.94%	1,168	303
More than 18 months but less than 24 months past due	62.79%	387	243
More than 24 months past due	100.00%	899	899
Total		734,765	3,436

	As at 31 December 2022		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current	0.19%	708,727	1,327
Less than 6 months past due	1.81%	43,499	789
More than 6 months but less than 12 months past due	7.93%	33,476	2,653
More than 12 months but less than 18 months past due	25.76%	2,042	526
More than 18 months but less than 24 months past due	53.74%	10,912	5,864
More than 24 months past due	100.00%	1,293	1,293
Total		799,949	12,452

	As at 31 December 2023		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current	0.18%	831,587	1,482
Less than 6 months past due	2.04%	38,468	786
More than 6 months but less than 12 months past due	8.40%	19,664	1,652
More than 12 months but less than 18 months past due	24.76%	206	51
More than 18 months but less than 24 months past due	47.97%	2,614	1,254
More than 24 months past due	100.00%	6,149	6,149
		898,688	11,374
Provision on individual basis *(note)*		93,791	12,165
Total		992,479	23,539

Note: During the year ended 31 December 2023, some of the trade receivables related to project money from digitalisation solution services were modified with extended payment terms. In general, the payment terms were extended for three months to two years from the original due dates. In view of the renegotiated payment schedules, the Group had individually assessed the loss allowances from these contracts.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets related to retention money as at 31 December 2021, 2022 and 2023:

	As at 31 December 2021		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current	21.92%	5,552	1,217
Past due	40.00%	4,568	1,827
Total		10,120	3,044

	As at 31 December 2022		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current	19.10%	11,287	2,156
Past due	40.00%	4,339	1,736
Total		15,626	3,892

	As at 31 December 2023		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current	19.88%	3,526	701
Past due	40.00%	8,431	3,372
Total		11,957	4,073

Expected loss rates are based on actual loss experience over the recent past years and forward-looking information. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables and contract assets during the Track Record Period is as follows:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Balance at the beginning of the year	3,217	6,480	16,344
Impairment losses recognised	3,263	9,864	11,268
Balance at the end of the year	6,480	16,344	27,612

The following changes in gross carrying amounts of trade receivables and contract assets contributed to the increase in the loss allowance:

For trade receivables and contract assets related to project money, increases in amounts past due led to an increase in loss allowance for 2021, 2022 and 2023. Renegotiation of new payment schedules with certain customers related to the project money from digitalisation solution services also resulted in an increase in loss allowance for 2023.

For trade receivables and contract assets related to retention money, the origination of new trade receivables resulted in an increase in loss allowance for 2022, while an increase in amounts past due led to an increase in loss allowance for 2023.

Other receivables

The following table provides information about the Group's exposure to credit risk and ECLs for other receivables related to tender bonds and performance bonds at 31 December 2021, 2022 and 2023:

	As at 31 December 2021		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current	3.31%	10,247	339
Past due	100.00%	904	904
Total		11,151	1,243

	As at 31 December 2022		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current	4.78%	9,284	444
Past due	79.39%	2,237	1,776
Total		11,521	2,220

	As at 31 December 2023		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current	5.54%	4,221	234
Past due	51.95%	4,643	2,412
Total		8,864	2,646

In determining ECLs for other receivables related to tender bonds and performance bonds, the management of the Group has taken into account the historical default experience and forward-looking information, as appropriate. The management of the Group has assessed that the risk of default of other receivables was not material.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and communicate with major financial institutions to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities as at 31 December 2021, 2022 and 2023 of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	As at 31 December 2021			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 2 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings	318,598	–	318,598	311,449
Trade payables	385,996	–	385,996	385,996
Amounts due to shareholders	1,176	–	1,176	1,176
Other payables and accruals	51,503	–	51,503	51,503
Lease liabilities	114	–	114	111
Other non-current liabilities	–	1,134	1,134	1,127
	757,387	1,134	758,521	751,362

	As at 31 December 2022			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 2 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings	382,846	–	382,846	375,198
Trade payables	362,836	–	362,836	362,836
Amounts due to shareholders	12,143	–	12,143	12,143
Other payables and accruals	59,075	–	59,075	59,075
Lease liabilities	46	13	59	58
	816,946	13	816,959	809,310

	As at 31 December 2023			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 2 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings	347,458	–	347,458	347,458
Trade payables	438,053	–	438,053	438,053
Amounts due to shareholders	144,861	–	144,861	144,861
Amounts due to associates	7,350	–	7,350	7,350
Other payables and accruals	83,201	–	83,201	83,201
Lease liabilities	145	131	276	274
	1,021,068	131	1,021,199	1,021,197

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from loans and borrowing. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate profile

The following table details the interest rate profile of the Group's loans and borrowings at the end of each reporting period:

	As at 31 December 2022			
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fixed rate borrowings:				
Bank borrowings	(91,552)	(155,224)	(205,108)	(177,235)
Lease liabilities	(361)	(111)	(58)	(274)
	(91,913)	(155,335)	(205,166)	(177,509)
Variable rate borrowings:				
Bank borrowings	(116,154)	(156,225)	(170,090)	(170,223)

(ii) Sensitivity analysis

As at 31 December 2021, 2022 and 2023, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit for the year and retained profits by approximately RMB1,328,000, RMB1,446,000 and RMB1,447,000 respectively.

The sensitivity analysis above indicates the instantaneous change in the Group's profit for the year and retained profits that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to those financial instruments held by the Group which expose the Group to cash flow interest rate risk at the end of the reporting period. The analysis is performed on the same basis during the Track Record Period.

(d) Currency risk

The Group has no significant foreign exchange exposure as substantially all of the Group's transactions are denominated in RMB.

(e) Fair value measurement

The carrying amounts of the Group's financial instruments measured at amortised cost are not materially different from their fair values as at 31 December 2021, 2022 and 2023.

28 Capital commitments

Capital commitments outstanding at 31 December 2021, 2022 and 2023 for property, plant and equipment, which was not provided in the Historical Financial Information were as follows:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Contracted for property, plant and equipment	6,969	453	–

29 Material related party transactions

(a) Name and relationship with related parties

During the Track Record Period, the directors are of the view that the following are major related parties of the companies now comprising the Group:

Name of party	Relationship
Mr. Liu Haoqiong	Controlling shareholder of the Group
Ms. Tao Xiulan	Controlling shareholder of the Group
GT & Yangtze Limited	Company owned as to 70.0% by Mr. Liu Haoqiong and as to 30.0% by Ms. Tao Xiulan, respectively
Mr. Liu Dingli	Non-controlling shareholder of the Group
Huat Huat Limited	Company wholly-owned by Mr. Liu Dingli
Mr. Liu Dingyi	Non-controlling shareholder of the Group
Octuple Hills Limited	Company wholly-owned by Mr. Liu Dingyi
Ms. Yeung Hoi Ka	Non-controlling shareholder of the Group
You Po Commerce Limited ("**You Po BVI**")	Non-controlling shareholder of the Group
Ying Hua Investment Management Limited ("**Ying Hua BVI**")	Non-controlling shareholder of the Group
Shu Zhi Shen Kong Investment Limited ("**Shu Zhi Cayman**")	Non-controlling shareholder of the Group
Rui Da Xin Tao Capital Management Centre Limited ("**Rui Da BVI**")	Non-controlling shareholder of the Group
You Po Investment	Parent company of You Po BVI
Gongqingcheng Ying Hua Investment Management Partnership (Limited Partnership) ("**Ying Hua Investment**")	Parent company of Ying Hua BVI
Hainan Shu Zhi Shen Kong Investment Partnership (Limited Partnership) ("**Shu Zhi Shen Kong**")	Parent company of Shu Zhi Cayman

Name of party	Relationship
Beijing Rui Da Xin Tao Capital Management Centre (Limited Partnership) ("**Rui Da Xin Tao**")	Parent company of Rui Da BVI
Jian Qingyoupu Information Technology Limited	Associate of the Group
Jiangxi Wanpuxing Information Technology Limited	Associate of the Group
Ms. Tao Hailan	Close family member of the controlling shareholder, Ms. Tao Xiulan
Ms. Zou Haiqin	Close family member of a key management personnel, Mr. Zhou Zhiqiang
Ms. Chen Jingyuan	Close family member of a key management personnel, Mr. Xiao Wei
Ms. Xiao Haiyan	Key management personnel
Mr. Zhang Jimao	Key management personnel
Mr. Wang Chaoguo	Key management personnel
Mr. Chen Wenjie	Key management personnel
Mr. Zhou Zhiqiang	Key management personnel
Mr. Huang Linjiang	Key management personnel
Mr. Wang Hao	Key management personnel
Ms. Chai Wenxin	Key management personnel
Mr. Xiao Wei	Key management personnel

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Short-term employee benefits	3,685	4,780	3,189
Contributions to defined contribution retirement plan	72	90	89
	3,757	4,870	3,278

Total remuneration is included in "staff costs" (see note 6(b)).

(c) Material transactions with related parties

In addition to the related party information disclosed elsewhere in this Historical Financial Information, the Group enter into the following material related party transactions during the Track Record Period:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Non-recurring transactions:			
Non-trade related:			
Repayment from/advance from related parties			
– Mr. Liu Haoqiong	–	–	86,042
– Mr. Liu Dingli	–	246	9,995
– Ms. Tao Xiulan	–	–	36,645
– Mr. Liu Dingyi	–	–	13,365
– Ms. Yeung Hoi Ka	–	–	1,378
– Ms. Tao Hailan	42	44	–
– Ms. Xiao Haiyan	7	–	–
– Mr. Zhang Jimao	–	45	–
– Mr. Wang Hao	–	104	33
– Mr. Wang Chaoguo	50	–	–
– Ms Chai Wenxin	–	104	40
– Mr. Xiao Wei	152	80	–
– Mr. Huang Linjiang	100	–	–
– You Po Investment	–	5,899	–
– Ying Hua Investment	–	3,589	–
– Shu Zhi Shen Kong	–	1,842	–
– Rui Da Xin Tao	–	789	–
– You Po BVI	–	–	6,067
– Ying Hua BVI	–	–	3,691
– Shu Zhi Cayman	–	–	1,895
– Rui Da BVI	–	–	812
– Jian Qingyoupu Information Technology Limited	–	–	2,450
– Jiangxi Wanpuxing Information Technology Limited	–	–	4,900
	351	12,742	167,313

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Repayment to/advance to related parties			
– Mr. Liu Haoqiong	–	1,152	14,500
– Mr. Liu Dingli	–	246	206
– Ms. Tao Hailan	114	–	–
– Mr. Zhang Jimao	45	–	–
– Mr. Huang Linjiang	100	–	–
– Mr. Wang Hao	–	104	33
– Mr. Wang Chaoguo	50	–	–
– Ms. Chai Wenxin	3	101	40
– Mr. Xiao Wei	194	34	–
– You Po BVI	–	6,067	–
– Ying Hua BVI	–	3,691	–
– Shu Zhi Cayman	–	1,895	–
– Rui Da BVI	–	812	–
– GT & Yangtze Limited	–	68	–
– Huat Huat Limited	–	6	–
– Octuple Hills Limited		6	1
– Ms. Yeung Hoi Ka	–	1	–
	506	14,183	14,780

For the year ended 31 December 2023, increases in non-recurring transactions relevant to related parties were mainly due to the termination of waiver agreements (see note 26(d)(i)).

(d) Balances with related parties

(i) Amounts due from related parties

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Non-trade related			
Other receivables			
– Ms. Tao Hailan	72	28	28
– Ms. Chai Wenxin	3	–	–
– Mr. Xiao Wei	46	–	–
– Mr. Zhang Jimao	45	–	–
– You Po BVI	–	6,067	–
– Ying Hua BVI	–	3,691	–
– Shu Zhi Cayman	–	1,895	–
– Rui Da BVI	–	812	–
– GT & Yangtze Limited	–	68	68
– Huat Huat Limited	–	6	6
– Octuple Hills Limited	–	6	7
– Ms. Yeung Hoi Ka	–	1	–
	166	12,574	109

For the year ended 31 December 2023, movements of amounts due from related parties were mainly due to receive the investment funds from shareholders.

(ii) Amounts due to related parties

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Non-trade related			
Other payables			
– Mr. Liu Haoqiong	1,152	–	71,542
– Mr. Liu Dingli	24	24	9,813
– Ms. Tao Xiulan	–	–	36,645
– Mr. Liu Dingyi	–	–	13,365
– Ms. Yeung Hoi Ka	–	–	1,377
– You Po Investment	–	5,899	5,899
– Ying Hua Investment.	–	3,589	3,589
– Shu Zhi Shen Kong.	–	1,842	1,842
– Rui Da Xin Tao.	–	789	789
– Jian Qingyoupu Information Technology Limited	–	–	2,450
– Jiangxi Wanpuxing Information Technology Limited	–	–	4,900
	1,176	12,143	152,211

The balance with these related parties are unsecured, interest free and have no fixed repayment terms.

For the year ended 31 December 2023, movements of amounts due to related parties were mainly due to the termination of waiver agreements (see note 26(d)(i)).

As of the date of this report, all of the non-trade amounts due from/to related parties have been settled.

(e) Bank borrowings guaranteed by related parties

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Non-trade in nature			
Bank borrowings guaranteed by			
– Mr. Liu Haoqiong and Ms. Tao Xiulan.	–	–	–
– Mr. Liu Haoqiong, Ms. Tao Xiulan and Mr. Liu Dingyi	156,225	–	–
– Ms. Tao Hailan, Mr. Xiao Wei and Ms. Chen Jingyuan.	–	64,034	127,161
– Mr. Liu Haoqiong, Ms. Tao Xiulan, Mr. Liu Dingli, Mr. Liu Dingyi, Ms. Tao Hailan, Mr. Zhou Zhiqiang and Ms. Zou Haiqin, Mr. Xiao Wei	155,224	91,048	–
	311,449	155,082	127,161

As of the date of this report, all of the guarantees provided by related parties have been released.

30 Immediate and ultimate controlling party

As at 31 December 2021, 2022 and 2023, the directors considered the ultimate controlling shareholder of the Group to be Mr. Liu Haoqiong and Ms. Tao Xiulan. As at 31 December 2023, the immediate controlling shareholder of the Company is GT & Yangtze Limited, which was incorporated in the BVI and does not produce financial statements available for public use.

31 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2023

Up to the date of issue of this Historical Financial Information, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in the Historical Financial Information. These include the following:

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, Presentation of financial statements: Classification of liabilities as current or non-current	1 January 2024
Amendments to HKAS 1, Presentation of financial statements: Non-current liabilities with covenants	1 January 2024
Amendments to HKAS 1, Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 7, Statement of cash flows and HKFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements	1 January 2024
Amendments to HKAS 21, The effects of changes in foreign exchange rates: Lack of exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28, Sale or contribution of assets between an investor and its associate or joint venture	To be decided

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far, the Group has concluded that the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements.

32 Subsequent events after the reporting period

In early 2024, the relevant shareholders contributed approximately RMB127,717,000 to the Group and the amounts due to relevant shareholders of RMB127,717,000 arising from the termination of waiver agreements with relevant shareholders (see note 26(d)(i)) was settled on 3 April 2024.

Aside from the above, no significant subsequent events have occurred to the Group since the end of the period reported on.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to 31 December 2023.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a letter and a valuation certificate, prepared for the purpose of incorporation in this document received from HG Appraisal & Consulting Limited, an independent valuer, in connection with its valuation as at 31 May 2024 of the property interests of the Group.

HG Appraisal & Consulting Limited
17th Floor
80 Gloucester Road
Wanchai
Hong Kong

21 June 2024

The Board of Directors
Zhonggan Communication (Group) Holdings Limited
Room 101, Block 99
2799 Tianxiang Avenue
Nanchang Jiahai Industrial Park
Nanchang High-tech Industrial Development Zone
Nanchang City
Jiangxi Province, the PRC

Dear Sirs

INSTRUCTIONS, PURPOSE & VALUATION DATE

In accordance with the instructions of Zhonggan Communication (Group) Holdings Limited (the "**Company**") for us to value the property interest held by the Company and its subsidiaries (hereinafter referred to as the "**Group**") in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at 31 May 2024 (the "**Valuation Date**") for the purpose of incorporating into the document.

BASIS OF VALUATION

Our valuation is prepared in accordance with the HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Our valuation is our opinion of the market value of the property interest which we would define market value as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION METHODOLOGY

In valuing the property interest, the Property has been valued by Income Capitalisation Approach. The Income Capitalisation Approach is a valuation method commonly applied for investment property. The rental income derived from the existing tenancies are capitalised for their respective unexpired terms of the contractual tenancies while vacant units are assumed to be let at their respective market rents at the date of valuation. Upon expiry of the existing tenancies, each unit is assumed to be let at its current market rent as at the Valuation Date, which is then capitalised for the remaining term of the land use rights of the property. The sum of the capitalised value of the term income, the reversionary incomes as appropriately deferred and the vacant units provides the market value of the property.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the property interest on the open market in their existing states without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interest. In addition, no forced sale situation in any manner is assumed in our valuation.

We have not caused title searches to be made for the property interest at the relevant government bureau in the PRC. We have been provided with certain extracts of title documents relating to the property interest in the PRC. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interest, we have relied on the legal opinion provided by the Company's PRC legal advisers, JunZeJun Law Offices (the "**PRC Legal Opinion**").

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us by the Company on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of the property and other relevant matter. We have also been advised by the Company that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Company and are approximations only. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the property is free from defect. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

CURRENCY

Unless otherwise stated, all money amounts stated are in Renminbi ("**RMB**"). The exchange rate used in valuing the property in the PRC as at 31 May 2024 was RMB1=HK$1.1. There has been no significant fluctuation in the exchange rate for RMB against Hong Kong Dollars between that date and the date of this letter.

We enclose herewith the valuation certificate.

Yours faithfully
For and on behalf of
HG Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor (GP)
MRICS MHKIS MSc(e-com)
China Real Estate Appraiser
Managing Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over thirty three years' experiences in undertaking valuations of properties in Hong Kong and has over twenty eight years' experiences in valuations of properties in the PRC.

VALUATION CERTIFICATE

Property interest held by the Group as an investment property in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at Valuation Date
Floors 1 to 7, Block 99, 2799, Tianxiang Avenue, Nanchang Jiahai Industrial Park, Nanchang Hi-tech Industrial Development Zone, Nanchang City, Jiangxi Province, the PRC	The property comprises Levels 1 to 7 of a 12-storey building completed in 2016. The gross floor area of the property is approximately 7,042 sq.m., breakdown as follows: **Floor** **GFA(sq.m.)** 1F 795.28 2F 1,041.12 3F 1,041.12 4F 1,041.12 5F 1,041.12 6F 1,041.12 7F 1,041.12 **Total** **7,042.00** The land use rights of the property have been granted for a term of 50 years commencing from 1 September 2012 and expiring on 31 August 2062 for industrial uses (Note 4(iii)-(vii)).	The property is subject to a tenancy for a term of 20 years commencing from 5 March 2020 and expiring on 4 March 2040 as office and enterprise ancillary uses (hospitality, catering, etc.). Monthly detailed rental: Year one to five: RMB14/sq.m. Year six to eight: 5% rental increment Year nine to twenty: 5% rental increment for each every three years.	RMB26,880,000 (equivalent to approximately HK$29,568,000) **Interest attributable to the Group** 100% **Market Value in existing state attributable to the Group as at 31 May 2024** RMB26,880,000 (equivalent to approximately HK$29,568,000)

Notes:

1. According to a Nanchang City Commodity Real Estate Sale and Purchase Contract dated 20 September 2016, Zhonggan Communication (Group) Co., Ltd. acquired Block 99, 2799, Tianxiang Avenue, Nanchang Jiahai Industrial Park at the consideration of RMB38,964,086.

2. According to a Real Estate Title Certificate (Document No.: Gan (2022) Nanchang City Bu Dong Chan Quan No. 0093346) dated 21 August 2019, the land use rights of the property having a site area of approximately 1,048.11 sq.m. and gross floor area of approximately 12,569.06 sq.m. were granted to Zhonggan Communication (Group) Co. Ltd. for a term of 50 years commencing from 1 September 2012 and expiring on 31 August 2062 for industrial uses. (see Note 4(iii)-(vii)).

3. According to the Real Estate Lease Agreement, the property with a gross floor area of approximately 7,042 sq.m. has been leased to Jiangxi Yiting Hotel Management Co., Ltd. for office and ancillary use (hospitality, catering, etc.), with a lease term from 5 March 2020 to 4 March 2040. The monthly rent for the first to fifth years is RMB14/ sq.m., with an increment of 5% for the sixth to eighth years, and an increment of 5% for each every three years for the nineth to twentieth year.

4. The PRC Legal Opinion states, *inter alia*, the followings:

   (i) The registered owner of the property has obtained the relevant title certificates and has legal ownership of the property.

   (ii) The registered owner of the property can legally lease, mortgage or dispose of the abovementioned property rights in other legal ways. Currently, apart from mortgage, there are no legal procedures or rights restrictions that have a significant adverse impact on the use of the land or house, such as being seised, frozen, or sued.

   (iii) The Nanchang High-tech Zone Management Committee issued a confirmation on 6 May 2021 agreeing to change floors 1 to 8 of Block 99 of Nanchang Jiahai Industrial Park to an office and enterprise ancillary use (hospitality, catering, etc.) space.

   (iv) The High tech Industrial Development Zone Branch of Nanchang Natural Resources and Planning Bureau has issued two confirmations dated 16 March 2023 and 25 January 2024, it is certified that Zhonggan Communication (Group) Co., Ltd. has not been penalised by the High-tech Industrial Development Zone Branch of Nanchang Natural Resources and Planning Bureau from 1 January 2020 to 16 March 2023 and from 1 January 2023 to 25 January 2024.

   (v) The Nanchang High-tech Zone Management Committee Urban Rural Construction Bureau has issued a confirmation dated 1 February 2024, it is certified that Zhonggan Communication (Group) Co. Ltd. was not involved in any illegal action and did not violate any construction regulations in the period from 1 January 2020 to 26 January 2024.

   (vi) The High-tech Industrial Development Zone Branch of Nanchang Natural Resources and Planning Bureau has issued a confirmation dated 23 April 2023, it is certified that Zhonggan Communication (Group) Co., Ltd. can legally use the property (Re: Real Estate Title Certificate (Document No: Gan (2022) Nanchang City Bu Dong Chan Quan No. 0093346) Right No. 0093346) for office and commercial purposes, and is not subject to any form of administrative penalty by the aforesaid bureau.

   (vii) Based on the above, the risk of being penalised by the competent authorities for not fully utilising the property according to the land and housing purposes recorded in the real estate certificate is relatively low, and it will not have a significant adverse impact on the operation of Zhonggan Communication (Group) Co., Ltd.

   (viii) All legal documents and the relevant planning permits were obtained.

5. The status of title and grant of major approvals and permits in accordance with the PRC Legal Opinion and information provided by the Company are as follows:

(i)	Real Estate Title Certificate	Yes
(ii)	Real Estate Lease Agreement	Yes

6. In arriving of our valuation, we have made the following assumptions:

   (i) The owner is entitled to sell, transfer, mortgage, charge, lease, sub-lease or otherwise dispose of the property to any third party (either local or overseas) at a consideration without payment of any additional premium or other onerous payment to the government during the whole of the unexpired term of their land use rights periods;

   (ii) All land premiums and other costs of ancillary utility services have been settled in full; and

   (iii) The property is free from any mortgages, orders and other legal encumbrances which may cause adverse effects to the title of the property.

7.

Valuation technique	Inputs	Weighted average
Income Capitalisation Approach	Estimated market rental value per square metre	RMB34 (equivalent to approximate HK$37)
	Capitalisation rate	5.5%

8. The property was inspected by Senior Valuer, Mrs. Zhu Yunyu, on 7 May 2024.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of the Cayman Islands Companies Act.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 20 April 2022 under the Cayman Islands Companies Act. The Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Cayman Islands Companies Act and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 17 June 2024 with effect from the **[REDACTED]**. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Islands Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the voting rights of the holders of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting, in which case, the quorum shall be two holders present in person (or, in the case of the shareholder being a corporation, by its duly authorised representative) or by proxy (whatever the number of shares held by them)) shall be two persons holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy holding not less than one-third of the issued shares of that class. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate or divide all or any of its capital into shares of larger or smaller amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum;

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled;

(vi) make provision for the issue and allotment of shares which do not carry any voting rights;

(vii) change the currency of denomination of its share capital; and

(viii) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in writing in the usual or common form or in such other form as the Board may approve provided always that it shall be in such a form prescribed by the Stock Exchange and which may be under hand only or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Cayman Islands Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The Board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The Board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share, the shares concerned are free of any lien in favour of the Company and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant Share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register may be closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods (not exceeding in the whole 30 days in any year) as the Board may determine. The period of thirty (30) days may be extended for a further period or periods not exceeding thirty (30) days in respect of any year if approved by shareholders by ordinary resolution.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Cayman Islands Companies Act and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange and/or any competent regulatory authority.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The Board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at a fixed time. A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the Board may serve not less than fourteen (14) days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the forfeited shares, together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the Board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re- election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed to fill a casual vacancy shall hold office only until the first annual general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing Board shall hold office only until the next first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company's shareholders before the expiration of his term of office (including a managing director or other executive director, but without prejudice to any claim for damages under any contract) and members of the Company may by ordinary resolution appoint another in his stead. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally; or

(bb) he dies or is declared to be of unsound mind as determined pursuant to an order made by any competent court or official and the Board resolves that his office be vacated; or

(cc) without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated; or

(dd) he is prohibited by law from acting as a director or he ceases to be a director by operation of law; or

(ee) he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(ff) by notice in writing delivered to our Company at its Registered Office (as defined in the Articles) or at the Head Office (as defined in the Articles) or tendered at a meeting of the Board he resigns his office; or

(gg) he is removed from office by an ordinary resolution of the Company or otherwise pursuant to the Articles; or

(hh) he is removed from office by notice in writing served on him signed by not less than three-fourth in number (or if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

The Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office in the management of the business of the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Islands Companies Act, the rules of the Stock Exchange and the Memorandum and Articles and without prejudice to any special rights or restrictions conferred on the holders of any shares or attaching to any class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The Board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or other securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Cayman Islands Companies Act and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares and other securities in the Company are at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the Board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares or other securities, to make, or make available, any such allotment, offer, option or shares or other securities to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Islands Companies Act to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Cayman Islands Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting or by the Board, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any Board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive director or a Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The Board may establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds or personal pension plans for the benefit of, or give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of our Company, or of any company which is a subsidiary of our Company, or is allied or associated with our Company or with any such subsidiary company, or who are or were at any time directors or officers of our Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in our Company or such other company, and the spouses, widows, widowers, families and dependants of any such persons.

The Board may also establish and subsidise or subscribe to any institutions, associations, clubs or funds calculated to be for the benefit of or to advance the interests and well-being of our Company or of any such other company as aforesaid or of any such persons as aforesaid, and may make payments for or towards the insurance of any such persons as aforesaid, and subscribe or guarantee money for charitable or benevolent objects or for any exhibition or for any public, general or useful object.

The Board may do any of the matters aforesaid, either alone or in conjunction with any such other company as aforesaid. Any Director holding any such employment or office shall be entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or employment.

Our Company in general meeting may, upon the recommendation of the Board, resolve to capitalise any sum standing to the credit of any of our Company's reserve accounts which are available for distribution (including its share premium account and capital redemption reserve fund, subject to the Cayman Islands Companies Act) and to appropriate such sums to the holders of shares on the principal register and any branch register of shareholders of our Company to be maintained at such place within or outside the Cayman Islands as the Board shall determine from time to time at the close of business on the date of the relevant resolution (or such other date as may be specified therein or determined as provided therein) in the proportions in which such sum would have been divisible amongst them had the same been a distribution of profits by way of dividend and to apply such sum on their behalf in paying up in full unissued shares for allotment and distribution credited as fully paid-up to and amongst them in the proportion aforesaid.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director or past Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is materially, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the earliest meeting of the Board at which it is practicable for him to do so.

A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal, contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or (ee) any proposal or arrangement concerning the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to the Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings and proceedings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Cayman Islands Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may, pursuant to the the rules of the Stock Exchange, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. Votes (whether on a show of hands or by way of poll) may be cast by such means, electronic or otherwise, as the Directors or the chairman of the meeting may determine.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) or proxy(ies) at any meeting of the Company or at any meeting of any class of members of the Company or at any meeting of the creditors of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, the right to speak and vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

Shareholders must have the right to: (a) speak at general meetings of the Company; and (b) vote at a general meeting except whether a shareholder is required, by the the rules of the Stock Exchange, to abstain from voting to approve the matter under consideration.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meeting

Other than the year of the Company's adoption of the Articles, in each financial year during the Relevant Period (as defined in the Articles), the Company shall hold a general meeting as its annual general meeting within six months after the end of each financial year in addition to any other meeting in that financial year and shall specify the meeting as such in the notice calling it.

Extraordinary general meetings may be convened on the requisition of one or more shareholder(s) holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings, on a one vote per share basis in the share capital of the Company and the foregoing shareholders shall be able to add resolutions to the meeting agenda. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Notwithstanding any provisions in the Articles, a meeting of the shareholders or any class thereof may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence at such meetings.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice in writing of not less than twenty-one (21) days. All other general meetings must be called by notice of at least fourteen (14) days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means to such contact details or websites as may from time to time be supplied by the member concerned or by publishing it on the website of our Company and the Stock Exchange.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors whether by rotation or otherwise in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of, or the determination of the method of fixing of the remuneration of the Directors and of the auditors;

(ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares representing not more than 20% (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to paragraph (gg) below; and

(gg) the granting of any mandate or authority to the Board to repurchase securities of the Company.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business and continues to be present until the conclusion of the meeting, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons (or, in the case of a member being a corporation, by its duly authorised representative) holding or representing by proxy not less than one-third of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, every member being a corporation shall be entitled to appoint a representative to attend and vote at any general meeting of the Company and, where a corporation is so represented, it shall be treated as being present at any meeting in person. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member. A corporation may execute a form of proxy under the hand of a duly authorised officer and such a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. On a poll or a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Cayman Islands Companies Act or necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The accounting records must be kept at the Head Office or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) or other person shall have any right to inspect any accounting record or book or document of the Company except as conferred by the Cayman Islands Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (Revised) of the Cayman Islands.

A copy of every balance sheet (including every document required by law to be annexed thereto) and profit and loss account which is to be laid before the Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting in each year, the members shall by ordinary resolution appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditors at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The appointment, removal and remuneration of the auditors must be approved by a simple majority of the Company's shareholders in a general meeting or by other body that is independent of the Board.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Cayman Islands Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

The Company may also upon the recommendation of the Board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares or bonuses, rights or other distributions in respect of any share may be paid by cheque or warrant or certificate or other documents or evidence of title sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant or certificate or other document or evidence of title so sent shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder to whom it is sent or, in the case of certificates or other documents or evidence of title as aforesaid, in favour of the shareholder(s) entitled thereto and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company in respect of the dividend and/or other moneys represented thereby. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable and bonuses, rights and other distributions in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members maintained in Hong Kong shall be open to inspection during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the Board, at the registered office or such other place at which the register is kept in accordance with the Cayman Islands Companies Act or, upon a maximum payment of HK$1.00 or such lesser sum specified by the Board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix IV.

(j) Procedures on liquidation

The Company may at any time and from time to time be wound up voluntarily by a special resolution. If the Company shall be wound up the liquidator shall apply the assets of the Company in such manner and order as he thinks fit in satisfaction of creditors' claims.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up after payment to all creditors, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Cayman Islands Companies Act divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no member shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Cayman Islands Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANIES ACT

The Company is incorporated in the Cayman Islands subject to the Cayman Islands Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Islands Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Islands Companies Act and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar (for the avoidance of doubt, special resolution used in the below summary shall have the meaning as set out in the Cayman Islands Companies Act):

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. An exempted company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Cayman Islands Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Cayman Islands Companies Act provides that the share premium account may be applied by a company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Islands Companies Act); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Islands Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory prohibition in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Cayman Islands Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company’s articles of association or the Cayman Islands Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company’s memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Cayman Islands Companies Act permits, subject to a solvency test and the provisions, if any, of a company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of a company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Cayman Islands courts (each the Court and together the Courts) ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires or illegal, (b) an act which constitutes a fraud against the minority shareholder and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by a company's memorandum and articles of association.

(g) Disposal of assets

The Cayman Islands Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (Revised) of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Act (Revised) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company; or by way of the withholding in whole or in part of any relevant payment as defined in the Tax Concessions Act (Revised) of the Cayman Islands.

The undertaking for the Company is for a period of twenty years from 6 May 2022.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Cayman Islands Companies Act prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of a company have no general right under the Cayman Islands Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Cayman Islands Companies Act required or permitted to be kept. A company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Cayman Islands Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (Revised) of the Cayman Islands.

(o) Register of Directors and Officers

A company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands.

Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of a company are listed on the Stock Exchange, the company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily by its members, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the Court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) seventy-five per cent. (75%) in value of shareholders or class of shareholders, or (ii) a majority in number representing seventy-five per cent. (75%) in value of creditors, as the case may be, as are present and voting either in person or by proxy at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

The Cayman Islands Companies Act also contains statutory provisions which provide that a company may present a petition to the Court for the appointment of a restructuring officer on the grounds that the company (a) is or is likely to become unable to pay its debts within the meaning of section 93 of the Cayman Islands Companies Act; and (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either, pursuant to the Cayman Islands Companies Act, the law of a foreign country or by way of a consensual restructuring. The petition may be presented by a company acting by its directors, without a resolution of its shareholders or an express power in its articles of association. On hearing such a petition, the Court may, among other things, make an order appointing a restructuring officer or make any other order as the Court thinks fit.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act (Revised) of the Cayman Islands ("**ES Act**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

4. GENERAL

Ogier, the Company's legal counsel as to Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands Companies Act. This letter, together with a copy of the Cayman Islands Companies Act, is available for inspection as referred to in the section headed "Documents delivered to the Registrar of Companies and available on display – Documents available on display" in Appendix VI to this document. Any person wishing to have a detailed summary of Cayman Islands Companies Act or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE COMPANY

1. Incorporation of the Company

The Company was incorporated in the Cayman Islands under the Cayman Islands Companies Act as an exempted company with limited liability on 20 April 2022. The Company has established its principal place of business in Hong Kong at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong, and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 6 July 2022. Ms. Wong Wai Yee, Ella, a joint company secretary, has been appointed as the authorised representative of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company was incorporated in the Cayman Islands, it is subject to the Cayman Islands Companies Act, the Memorandum and the Articles and the applicable laws of the Cayman Islands. A summary of certain provisions of the Memorandum and the Articles and relevant aspects of the Cayman Islands Companies Act is set out in "Summary of the constitution of the Company and Cayman Islands Companies Act" in Appendix IV to this document.

2. Changes in the share capital of the Company

As of the date of incorporation of the Company, the authorised share capital of the Company was HK$100,000 divided into 1,000,000 Shares of HK$0.1 each. Upon its incorporation, one fully paid Share was allotted and issued to an initial subscriber who is an Independent Third Party on 20 April 2022, which was then transferred to GT & Yangtze on 26 May 2022. On the same date, 757,267 Shares, 71,839 Shares and 71,839 Shares were alloted and issued GT & Yangtze, Huat Huat and Octuple Hills, respectively. On 7 July 2022, 43,291 Shares, 26,339 Shares, 13,518 Shares, 5,793 Shares and 10,113 Shares were alloted to You Po BVI, Ying Hua BVI, Shu Zhi Cayman, Rui Da BVI and Ms. Yeung, respectively.

On 15 May 2023, the Company's authorised share capital was increased from HK$100,000 divided into 1,000,000 Shares with a par value of HK$0.1 each to HK$101,126 divided into 1,011,260 Shares with a par value of HK$0.1 each. Pursuant to the written resolutions of the Shareholders passed on 17 June 2024, the authorised share capital of the Company was increased from HK$101,126 to HK$100,000,000 by the creation of additional 998,988,740 Shares, and following such increase, the authorised share capital of the Company was HK$100,000,000 divided into 1,000,000,000 Shares of HK$0.1 each.

Immediately following completion of the **[REDACTED]** and the **[REDACTED]** and without taking into account any Shares which may be issued upon the exercise of the **[REDACTED]** or any options which may be granted under the Share Option Scheme, the issued share capital of the Company will be **[REDACTED]** divided into **[REDACTED]** Shares, all fully paid or credited as fully paid, and **[REDACTED]** Shares will remain unissued.

Save as disclosed above and as mentioned in "– 5. Written resolutions of the Shareholders passed on 17 June 2024" below, there has been no alteration in the share capital of the Company since its incorporation.

3. Particulars of the Group's subsidiaries

Particulars of the Group's subsidiaries are set forth in Note 1 of the Accountants' Report.

4. Changes in the share capital or the registered capital of the Group's subsidiaries

Save as disclosed in "History and Reorganisation" in this document, there has been no alteration in the share capital or the registered capital of the Group's subsidiaries within the two years preceding the date of this document.

5. Written resolutions of the Shareholders passed on 17 June 2024

Pursuant to the written resolutions passed by the Shareholders on 17 June 2024, among other matters:

(a) The Company approved and conditionally adopted the Memorandum and the Articles which will become effective upon **[REDACTED]**;

(b) the authorised share capital of the Company was increased from HK$101,126 divided into 1,011,260 Shares to HK$100,000,000 by the creation of additional 998,988,740 Shares ranking in *pari passu* in all respects with the existing Shares with immediate effect;

(c) conditional on (aa) the Stock Exchange granting the approval for the **[REDACTED]** of, and permission to deal in, the Shares in issue and Shares to be allotted and issued pursuant to the **[REDACTED]**, the **[REDACTED]** and as mentioned in this document including the Shares which may be allotted and issued pursuant to the exercise of the **[REDACTED]** or any **[REDACTED]** which may be granted under the Share Option Scheme; (bb) the **[REDACTED]** having been duly determined; and (cc) the obligations of the **[REDACTED]** under the **[REDACTED]** becoming unconditional and not being terminated in accordance with the terms of such agreements (or any conditions as specified in this document), in each case on or before the dates and times specified in the **[REDACTED]**:

(i) the **[REDACTED]** was approved and the Directors were authorised to allot and issue the **[REDACTED]** pursuant to the **[REDACTED]**;

(ii) the **[REDACTED]** was approved and the Directors were authorised to allot and issue the Shares upon the exercise of the **[REDACTED]**;

(iii) the rules of the Share Option Scheme, the principal terms of which are set out in "D. Share Option Scheme" below in this appendix, were approved and adopted and the Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme;

(iv) conditional on the share premium account of the Company being credited as a result of the **[REDACTED]**, the Directors were authorised to capitalise the sum of **[REDACTED]** standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par **[REDACTED]** Shares for allotment and issue to holders of Shares whose names appear on the register of members of the Company on the date of passing this resolution in proportion (as near as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholdings in the Company;

(v) a general unconditional mandate was given to the Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the Share Option Scheme or other similar arrangements or pursuant to a specific authority granted by the Shareholders in general meeting, unissued Shares not exceeding the aggregate of 20% of the number of issued Shares immediately following the completion of the **[REDACTED]** and **[REDACTED]** (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the **[REDACTED]** or any options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of the Company, or the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;

(vi) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to buy back on the Stock Exchange or on any other approved stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the number of issued Shares immediately following the completion of the **[REDACTED]** and the **[REDACTED]** (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the **[REDACTED]** or any options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of the Company, or the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first; and

(vii) the general unconditional mandate mentioned in paragraph (v) above was extended by the addition to the number of issued Shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by the Directors pursuant to such general mandate of an amount representing the total number of issued Shares bought back by the Company pursuant to the mandate to buy back Shares referred to in paragraph (vi) above.

6. Reorganisation

In preparation for the **[REDACTED]**, the companies comprising the Group underwent the Reorganisation and the Company became the holding company of the Group. For further details with regard to the Reorganisation, see "History and Reorganisation" in this document.

7. Buyback by the Company of its own securities

This section includes information required by the Stock Exchange to be included in this document concerning the buyback by the Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) Shareholders' approval

The Listing Rules provide that all proposed buybacks of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by the Shareholders on 17 June 2024, a general unconditional mandate (the "**Buyback Mandate**") was granted to the Directors authorising the buyback of shares by the Company on the Stock Exchange, or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with the total number of Shares not exceeding 10% of the total number of Shares in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of the Company, the expiration of the period within which the next annual general meeting of the Company is required by an applicable law or the Articles to be held or the date on which such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first.

(ii) Source of funds

Buybacks must be funded out of funds legally available for the purpose in accordance with the Memorandum and the Articles, the Listing Rules and the Cayman Islands Companies Act. A listed company may not buy back its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Core connected persons

The Listing Rules prohibit the Company from knowingly buying back the Shares on the Stock Exchange from a "core connected person", which includes a director, chief executive or substantial shareholder of the Company or any of the subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell his/her Shares to the Company.

(b) Reasons for buybacks

The Directors believe that it is in the best interests of the Company and its Shareholders as a whole for the Directors to have a general authority from the Shareholders to enable the Company to buy back Shares in the market. Such buybacks may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the Company's net asset value per Share and/or earnings per Share and will only be made when the Directors believe that such buybacks will benefit the Company and the Shareholders.

(c) Funding of buyback

In buying back Shares, the Company may only apply funds legally available for such purpose in accordance with the Memorandum and Articles, the Listing Rules and the applicable laws of the Cayman Islands.

It is presently proposed that any buyback of Shares will be made out of the profits of the Company, the share premium amount of the Company or the proceeds of a fresh issue of Shares made for the purpose of the buyback and, in the case of any premium payable on the purchase over the par value of the Shares to be bought back must be provided for, out of either or both of the profits of the Company or from sums standing to the credit of the share premium account of the Company. If authorised by the Articles and subject to the Cayman Islands Companies Act, any buyback of Shares may also be paid out of capital.

On the basis of the current financial position of the Group as disclosed in this document and taking into account the current working capital position of the Company, the Directors consider that, if the Buyback Mandate were to be exercised in full, it might not have a material adverse effect on the working capital and/or the gearing position of the Group as compared to the position disclosed in this document. However, the Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital and/or the gearing position of the Group which in the opinion of the Directors are from time to time appropriate for the Group.

(d) Share capital

The exercise in full of the Buyback Mandate, on the basis of **[REDACTED]** Shares in issue immediately after the **[REDACTED]** (but not taking into account of the Shares which may be issued pursuant to the exercise of the **[REDACTED]** or any options which may be granted under the Share Option Scheme), would result in up to **[REDACTED]** Shares being bought back by the Company during the period until:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Articles to be held; or

(iii) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first.

(e) General

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention if the Buyback Mandate is exercised to sell any Share(s) to the Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a buyback of Shares pursuant to the Buyback Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Hong Kong Codes on Takeovers and Mergers and Share Buy-backs (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, the Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a buyback pursuant to the Buyback Mandate. The Directors have no present intention to exercise the power to buy back Shares to such extent.

If the Buyback Mandate is fully exercised immediately following completion of the **[REDACTED]** and the **[REDACTED]** (but not taking into account the Shares which may be issued pursuant to the exercise of the **[REDACTED]** or any options which may be granted under the Share Option Scheme), the total number of Shares which will be bought back pursuant to the Buyback Mandate will be **[REDACTED]** Shares, being 10% of the total number of Shares based on the aforesaid assumptions. The percentage shareholding of the Controlling Shareholders will be increased to approximately **[REDACTED]** of the issued share capital of the Company immediately following the full exercise of the Buyback Mandate. Any buyback of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, the Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

No core connected person of the Company has notified the Group that he/she/it has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Buyback Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE GROUP'S BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this document and are or may be material:

(a) The equity transfer agreements (股權轉讓協議) each dated 22 August 2022 entered into between Jiangxi Zhongge and the following transferors, pursuant to which the transferors agreed to transfer in aggregate approximately 98.9% of the equity interest in Zhonggan Communication to Jiangxi Zhongge for a total cash consideration of RMB136,262,066:

(i) Mr. Liu Haoqiong for a cash consideration of RMB66,542,109;

(ii) Ms. Tao Xiulan for a cash consideration of RMB36,644,812;

(iii) Mr. Liu Dingli for a cash consideration of RMB9,788,880;

(iv) Mr. Liu Dingyi for a cash consideration of RMB9,788,880;

(v) You Po Investment for a cash consideration of RMB5,898,927;

(vi) Ying Hua Investment for a cash consideration of RMB3,589,010;

(vii) Shu Zhi Shen Kong for a cash consideration of RMB1,842,129;

(viii) Rui Da Xin Tao for a cash consideration of RMB789,367; and

(ix) Ms. Yeung for a cash consideration of RMB1,377,952.

(b) a waiver agreement (自願無償放棄股權轉讓款協議書) dated 22 August 2022 entered into between Mr. Liu Haoqiong, Ms. Tao Xiulan, Mr. Liu Dingli, Mr. Liu Dingyi, Jiangxi Zhongge and Zhonggan Communication, pursuant to which Mr. Liu Haoqiong, Ms. Tao Xiulan, Mr. Liu Dingli, Mr. Liu Dingyi agreed to waive the obligation of Jiangxi Zhongge to pay them their respective considerations under the relevant equity transfer agreements referred to in paragraph (a) above;

(c) a waiver agreement (自願無償放棄股權轉讓款協議書) dated 22 August 2022 entered into between Ms. Yeung, Jiangxi Zhongge and Zhonggan Communication, pursuant to which Ms. Yeung agreed to waive the obligation of Jiangxi Zhongge to pay her the consideration under the relevant equity transfer agreement referred to in paragraph (a) above;

(d) an equity transfer agreement (股權轉讓協議) dated 20 February 2023 entered into between Jiangxi Zhongge and Mr. Liu Dingyi, pursuant to which Mr. Liu Dingyi agreed to transfer in aggregate approximately 1.1% of the equity interest in Zhonggan Communication to Jiangxi Zhongge for a cash consideration of approximately RMB3.6 million;

(e) a waiver agreement (自願無償放棄股權轉讓款協議書) dated 20 February 2023 entered into between Jiangxi Zhongge, Mr. Liu Dingyi and Zhonggan Communication, pursuant to which Mr. Liu Dingyi agreed to waive the obligation of Jiangxi Zhongge to pay him the cash consideration of approximately RMB3.6 million under the equity transfer agreement referred to in paragraph (d) above;

(f) a termination agreement (終止豁免支付的協議) dated 14 December 2023 entered into among Mr. Liu Haoqiong, Ms. Tao Xiulan, Mr. Liu Dingli, Mr. Liu Dingyi, Ms. Yeung, Jiangxi Zhongge and Zhonggan Communication, pursuant to which the waiver agreements referred to in paragraphs (b), (c) and (e) above were terminated and the obligation of Jiangxi Zhongge to pay them their respective considerations pursuant to the equity transfer agreements referred to in paragraphs (a) and (d) above was revived;

(g) the Deed of Indemnity;

(h) the Deed of Non-competition; and

(i) the **[REDACTED]**.

2. Intellectual property rights of the Group

(a) Trademarks

As of the Latest Practicable Date, the Group was the registered owner of the following trademarks which, in the opinion of the Directors, are or may be material to its business:

No.	Trademark	Registration number	Class	Name of registered owner	Place of registration	Date of registration	Date of expiry
1.		17292718	37	Zhonggan Communication	PRC	28 August 2016	27 August 2026
2.		17292616	42	Zhonggan Communication	PRC	28 August 2016	27 August 2026
3.		17578178	38	Zhonggan Communication	PRC	21 September 2016	20 September 2026
4.	贛通通信 GANTONG COMMUNICATIONS	17578188	38	Zhonggan Communication	PRC	28 September 2016	27 September 2026
5.		17578060	11	Zhonggan Communication	PRC	28 September 2016	27 September 2026

No.	Trademark	Registration number	Class	Name of registered owner	Place of registration	Date of registration	Date of expiry
6.		17578367	40	Zhonggan Communication	PRC	28 September 2016	27 September 2026
7.	贛通通信 GANTONG COMMUNICATIONS	17578447	40	Zhonggan Communication	PRC	28 September 2016	27 September 2026
8.		17289454	9	Zhonggan Communication	PRC	28 October 2016	27 October 2026
9.	贛通通信 GANTONG COMMUNICATIONS	17291036	9	Zhonggan Communication	PRC	14 November 2016	13 November 2026
10.	贛通通信 GANTONG COMMUNICATIONS	17578291	11	Zhonggan Communication	PRC	14 November 2016	13 November 2026
11.		17578331	19	Zhonggan Communication	PRC	14 November 2016	13 November 2026
12.		17578276	35	Zhonggan Communication	PRC	14 November 2016	13 November 2026
13.	贛通通信 GANTONG COMMUNICATIONS	17578109	19	Zhonggan Communication	PRC	28 November 2016	27 November 2026
14.	贛通通信 GANTONG COMMUNICATIONS	17292712	37	Zhonggan Communication	PRC	28 August 2017	27 August 2027
15.	贛通通信 GANTONG COMMUNICATIONS	17578372	35	Zhonggan Communication	PRC	7 October 2017	6 October 2027
16.	贛通通信 GANTONG COMMUNICATIONS	17292578	42	Zhonggan Communication	PRC	7 October 2017	6 October 2027

No.	Trademark	Registration number	Class	Name of registered owner	Place of registration	Date of registration	Date of expiry
17.	贛通通信 GANTONG COMMUNICATION	50785416	37	Zhonggan Communication	PRC	28 December 2021	27 December 2031
18.	贛通通信 GANTONG COMMUNICATION	50788300	19	Zhonggan Communication	PRC	7 October 2021	6 October 2031
19.	贛通通信 GANTONG COMMUNICATION	50784306	35	Zhonggan Communication	PRC	21 December 2021	20 December 2031
20.	贛通通信 GANTONG COMMUNICATION	50796760	9	Zhonggan Communication	PRC	21 December 2021	20 December 2031
21.	贛通通信 GANTONG COMMUNICATION	50810820	11	Zhonggan Communication	PRC	28 December 2021	27 December 2031
22.	贛通通信 GANTONG COMMUNICATION	50796962	40	Zhonggan Communication	PRC	7 October 2021	6 October 2031
23.	贛通通信 GANTONG COMMUNICATION	50793492	38	Zhonggan Communication	PRC	7 October 2021	6 October 2031
24.	贛通通信 GANTONG COMMUNICATION	50791671	42	Zhonggan Communication	PRC	21 December 2021	20 December 2031
25.	中贛通信 ZHONGGAN COMMUNICATION 中贛通信 ZHONGGAN COMMUNICATION	305953834	35,37,42	Zhonggan Communication	Hong Kong	10 May 2022	9 May 2032

(b) Patents

As of the Latest Practicable Date, the Group was the registered owner of the following patents in the PRC which, in the opinion of the Directors, are or may be material to its business:

No.	Patent	Type	Patent number	Registered owner	Date of Expiry
1.	A Feeder Stripping Device (一種饋線剝皮裝置)	Utility model patent	ZL202020068696.2	Zhonggan Communication	12 January 2030
2.	A Cable Tying Tool (一種線纜捆紮工具)	Utility model patent	ZL202020090857.8	Zhonggan Communication	14 January 2030
3.	Equipment for Wireless Communication Network (無線通信網絡的設備).	Invention patent	ZL202010991482.7	Zhonggan Communication	20 September 2040
4.	Output Device for Wireless Network Data Transmission (無線網絡數據傳輸的輸出裝置) . .	Invention patent	ZL202011256454.7	Zhonggan Communication	10 November 2040
5.	Digital Campus Payment Management System Based on Real-time Communication (基於實時通信的智慧校園支付管理系統).	Invention patent	ZL202011282599.4	Zhonggan Communication	16 November 2040

No.	Patent	Type	Patent number	Registered owner	Date of Expiry
6.	Intelligent Construction Management System and Method Based on Image Communication (基於圖像通信的智慧施工管理系統和方法)	Invention patent	ZL202110525044.6	Zhonggan Communication	13 May 2041
7.	Digital Light Poles for Municipal Monitoring (用於市政監檢測的智慧燈杆)	Invention patent	ZL202110205403.X	Zhonggan Communication	23 February 2041
8.	Progress Management System and Method for Digital Construction (智慧施工的進度管理系統和方法)	Invention patent	ZL202110658596.4	Zhonggan Communication	14 June 2041
9.	Charging Pile Segmentation Charging Method and System Based on Power Carrier (基於電力載波的充電樁分段充電方法及系統)	Invention patent	ZL202211198112.3	Zhonggan Communication	28 September 2042
10.	Service-Based Variable Monitoring Network and Its Operation Method (基於業務的可變監測網絡及其運營方法)	Invention patent	ZL202211093591.2	Zhonggan Communication	7 September 2042
11.	Campus Bandwidth Resource Allocation Method and System Based on Xen Virtual Monitoring (基於Xen虛擬監測的校園帶寬資源分配方法和系統)	Invention patent	ZL202211050723.3	Zhonggan Communication	30 August 2042
12.	Intelligent Early-warning Method and System of Base Station Based on Multi-source Data Analysis (基於多來源資料分析的基站智慧預警方法及系統)	Invention patent	ZL20231 1175187.4	Zhonggan Communication	12 September 2043
13.	The Invention Relates to an Indoor Distributed Monitoring Method and Monitoring Network (一種室內分散式監測方法和監測網路)	Invention patent	ZL20231 1500842.9	Zhonggan Communication	12 November 2043
14.	The Invention Relates to a Multi-base Station Intelligent Scheduling Method and System for Communication Switching (一種用於通信切換的多基站智慧調度方法及系統)	Invention patent	ZL20231 0827043.6	Zhonggan Communication	6 July 2043

(c) Copyrights

As of the Latest Practicable Date, the Group had registered the following copyrights in the PRC which, in the opinion of the Directors, are or may be material to its business:

(i) Software

No.	Copyright	Registration number/ Certificate number	First publication date	Registered owner
1.	Gantong Communication Base Station Intelligent Alarm Management System V1.0 (贛通通信基站智能告警管理系統V1.0) . . .	2015SR111859	14 November 2014	Zhonggan Communication
2.	Gantong Communication Wireless Coverage Test Software System V1.0 (贛通通信無線覆蓋測試軟件系統V1.0) . . .	2015SR111830	20 June 2014	Zhonggan Communication
3.	Gantong Communication Indoor Distributed Signal Test System V1.0 (贛通通信室內分佈信號測試系統V1.0) . . .	2015SR111846	15 August 2014	Zhonggan Communication
4.	Gantong Communication Base Station Integrated Management Software System V1.0 (贛通通信基站一體化管理軟件系統V1.0) .	2015SR112208	17 September 2014	Zhonggan Communication
5.	Gantong Communication Wired Test Software System V1.0 (贛通通信有線測試軟件系統V1.0)	2015SR112240	12 December 2014	Zhonggan Communication
6.	Gantong Communication ICT System Integrated Intelligent Analysis System V1.0 (贛通通信ICT系統集成智能分析系統V1.0)	2015SR112041	16 May 2014	Zhonggan Communication
7.	Communication Room Inspection Management System V1.0 (通信機房巡檢管理系統V1.0)	2018SR119437	6 October 2017	Zhonggan Communication
8.	Short-term Monitoring System During the External Power Access Project of Communication Facilities V1.0 (通信設施外電接入工程期間短期監測系統V1.0)	2018SR120237	17 November 2015	Zhonggan Communication
9.	Communication Line Engineering Human Well Harmful Gas Real-time Monitoring Software V1.0 (通信線路工程人井有害氣體實時監測軟件V1.0)	2018SR120240	24 October 2015	Zhonggan Communication

No.	Copyright	Registration number/ Certificate number	First publication date	Registered owner
10.	Wireless Coverage Indoor Distribution Passive Monitoring System V1.0 (無線覆蓋室內分佈無源監控系統V1.0). . .	2018SR119453	24 June 2016	Zhonggan Communication
11.	Mobile Communication Room Division Digital Management Platform V1.0 (移動通信室分數字化管理平台V1.0). . . .	2018SR119445	19 August 2016	Zhonggan Communication
12.	Information Engineering Optical Fiber Network Access Management System V1.0 (信息工程光纖網絡准入管理系統V1.0). . .	2020SR0488616	28 February 2020	Zhonggan Communication
13.	Information Construction Energy Saving Planning Simulation Platform V1.0 (信息化建設節能規劃仿真平台V1.0). . . .	2020SR0487627	17 March 2020	Zhonggan Communication
14.	Video Intercom System in Information Construction V1.0 (信息建設中可視對講系統V1.0)	2020SR0487641	10 January 2020	Zhonggan Communication
15.	Visual Monitoring and Management Platform in Information Construction V1.0 (信息建設中可視化監控管理平台V1.0). . .	2020SR0487634	6 March 2020	Zhonggan Communication
16.	Anti-theft and Power Monitoring System in Information System Integration Project V1.0 (信息系統集成項目中防盜和動力監控系統V1.0)	2020SR0487647	13 January 2020	Zhonggan Communication
17.	Intelligent Control System Based on Communication Pipeline Blowing Method V1.0 (基於通信管道吹纜法智能控制系統V1.0) .	2020SR0162630	N/A	Zhonggan Communication
18.	Police Comprehensive System Based on Communication Technology V1.0 (基於通信技術的警務綜合系統V1.0). . . .	2020SR0166720	N/A	Zhonggan Communication
19.	Rapid Battery Detection Software V1.0 Based on Communication Construction (基於通信建設中蓄電池快速檢測軟件V1.0)	2020SR0162542	N/A	Zhonggan Communication
20.	Communication Base Station, Computer Room Power Environment Monitoring System V1.0 (通信基站、機房動力環境監控系統V1.0) .	2020SR0165167	N/A	Zhonggan Communication

No.	Copyright	Registration number/ Certificate number	First publication date	Registered owner
21.	Communication Base Station Environment Intelligent Integrated Control System V1.0 (通信基站環境智能綜合控制系統V1.0) . . .	2020SR0169195	N/A	Zhonggan Communication
22.	Communication Base Station Construction Project Management System V1.0 (通信基站建設項目管理系統V1.0)	2020SR0161940	N/A	Zhonggan Communication
23.	Photovoltaic Ionisation Grid-connected Control System in Communication Base Station V1.0 (通信基站中的光伏發電離並網控制系統V1.0)	2020SR0161946	N/A	Zhonggan Communication
24.	Mobile Communication Base Station Equipment Comprehensive Detection System V1.0 (移動通信基站設備綜合檢測系統V1.0) . . .	2020SR0165157	N/A	Zhonggan Communication
25.	Converged Communication System Based on Broadband and Narrowband Convergence Technology V1.0 (基於寬窄帶融合技術的融合通信系統V1.0)	2020SR0161934	N/A	Zhonggan Communication
26.	FFT-based Visible Light Communication Indoor Positioning System V1.0 (基於FFT的可見光通信室內定位系統V1.0)	2020SR0165162	N/A	Zhonggan Communication
27.	Communication Room Old Equipment Remote Manageable Protocol Conversion Software V1.0 (通信機房老舊設備遠程可管理協議轉換軟件V1.0)	2018SR115801	16 December 2015	Zhonggan Communication
28.	Communication Tower Verticality Real-time Monitoring System V1.0 (通信塔體垂直度實時監測系統V1.0)	2018SR115701	29 December 2015	Zhonggan Communication
29.	Communication Line Routing Visualisation Management System V1.0 (通信線路路由可視化管理系統V1.0)	2018SR113252	24 December 2015	Zhonggan Communication
30.	LTE Indoor Wireless Signal Parameter Distribution Data Test System V1.0 (LTE室內無線信號參數分佈數據測試系統V1.0)	2018SR111660	21 July 2016	Zhonggan Communication
31.	Intelligent WLAN Test Operation and Maintenance System V1.0 (智能WLAN測試運維系統V1.0).	2018SR115445	8 November 2016	Zhonggan Communication

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32.	Centralised Control Cloud Desktop System Software V1.0 (集控雲桌面系統軟件V1.0)	2019SR1353532	30 April 2019	GLP Technology
33.	Command Center Visualisation System Software V1.0 (指揮中心可視化系統軟件V1.0)	2019SR1353327	29 May 2018	GLP Technology
34.	LED Display Cluster Cloud Monitoring Platform Software V1.0 (LED顯示屏集群雲監控平台軟件V1.0). . .	2019SR1386196	31 July 2018	GLP Technology
35.	Information Cluster Remote Publishing System Software V1.0 (信息集群遠程發佈系統軟件V1.0)	2019SR1352929	31 July 2018	GLP Technology
36.	Jiangxi Province Digital Grain Depot Integrated Management System V1.0 (江西省智慧糧庫綜合管理系統V1.0)	2019SR1353541	28 August 2018	GLP Technology
37.	Qingshan Lake Digital Urban Management Platform V1.0 (青山湖智慧城管平台V1.0)	2019SR1353317	26 September 2018	GLP Technology
38.	Human Portrait Intelligent Analysis Based on Big Data and Application Software V1.0 (基於大數據人體畫像智能分析與應用軟件V1.0)	2019SR1361953	14 November 2018	GLP Technology
39.	IBMS Building Intelligent Management Platform Software V1.0 (IBMS建築智能化管理平台軟件V1.0) . . .	2019SR1386190	26 November 2018	GLP Technology
40.	Clap++ Big Data Accurate Decision Analysis Software V1.0 (Clap++大數據精準決策分析軟件V1.0) . .	2019SR1386790	25 December 2018	GLP Technology
41.	Digital AI Intelligent Data Analysis Platform V1.0 (智慧AI智能數據分析平台V1.0)	2019SR1363017	28 February 2019	GLP Technology
42.	Kore Online Operation and Maintenance Monitoring System V1.0 (Kore在線運維監測系統V1.0).	2019SR1386184	20 March 2019	GLP Technology
43.	Dynamic Automatic Recognition and Scene Based on Security Portrait Application Software V1.0 (基於安防人像動態自動識別與場景應用軟件V1.0)	2019SR1359237	28 May 2019	GLP Technology

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44.	Digital Bracelet Positioning Management Software V1.0 (智能手環定位管理軟件V1.0).	2019SR1353212	25 June 2019	GLP Technology
45.	3D Modeling Design Software Based on Data Acquisition V1.0 (基於數據採集3D建模設計軟件V1.0) . . .	2019SR1353734	25 September 2018	GLP Technology
46.	Computer Room Power Environment Monitoring System Management Software V1.0 (機房動力環境監控系統管理軟件V1.0). . .	2019SR1386348	12 November 2019	GLP Technology
47.	Gantong LED Display Centralised Control System V1.0 (贛通LED顯示屏集控系統V1.0)	2020SR0736318	12 May 2020	Zhonggan Communication
48.	Gantong Engine Room Power Environment Monitoring System V1.0 (贛通機房動力環境監控系統V1.0)	2020SR0736325	19 February 2020	Zhonggan Communication
49.	Gantong Equipment Intelligent Patrol Management System V1.0 (贛通設備智能巡更管理系統V1.0)	2020SR0735936	18 February 2020	Zhonggan Communication
50.	Gantong Small Area Cloud Management System V1.0 (贛通小區域雲管理系統V1.0).	2020SR0736305	28 April 2020	Zhonggan Communication
51.	Gantong Information Cluster Remote Publishing System V1.0 (贛通信息集群遠程發佈系統V1.0)	2020SR0736311	22 April 2020	Zhonggan Communication
52.	GTC Blockchain Big Data Platform V1.0 (GTC區塊鏈大數據平台V1.0).	2021SR0389825	24 December 2020	GLP Technology
53.	Instant Messaging Collaboration Platform V1.0 (即時通訊協作平台V1.0)	2021SR0389762	30 December 2020	GLP Technology
54.	IoT Data Fusion Computing Platform V1.0 (物聯數據融合計算平台V1.0).	2021SR0440471	2 February 2021	Zhonggan Communication
55.	Blockchain-based Public Safety Video Image Information Sharing System V1.0 (基於區塊鏈的公共安全視頻圖像信息共享系統V1.0).	2021SR0440496	8 February 2021	Zhonggan Communication
56.	Crowd Flow Big Data Alarm System V1.0 (人群流動大數據告警系統V1.0)	2021SR0393126	18 February 2021	Zhonggan Communication

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57.	Data Acquisition Automatic Calibration System V1.0 (數據採集自動校準系統V1.0).	2021SR0393125	8 February 2021	Zhonggan Communication
58.	Video Distributed Compression Storage System V1.0 (視頻分佈式壓縮存儲系統V1.0)	2021SR0393124	5 February 2021	Zhonggan Communication
59.	Wireless IoT Device Automatic Networking System V1.0 (無線物聯設備自動組網系統V1.0)	2021SR0393123	9 February 2021	Zhonggan Communication
60.	Big Data Distributed Storage Encryption System V1.0 (大數據分佈式存儲加密系統V1.0)	2021SR0393122	4 February 2021	Zhonggan Communication
61.	Key Frame Dynamic Capture Analysis System V1.0 (關鍵幀動態捕捉分析系統V1.0)	2021SR0393121	6 February 2021	Zhonggan Communication
62.	Big Data Network Fault Analysis System V1.0 (大數據網絡故障分析系統V1.0)	2021SR0393120	5 February 2021	Zhonggan Communication
63.	Blockchain-based Engineering Dynamic Supervision System V1.0 (基於區塊鏈的工程動態監管系統V1.0). . .	2021SR0392998	7 February 2021	Zhonggan Communication
64.	Urban Governance Dynamic Supervision System V1.0 (城市治理動態監管系統V1.0).	2021SR0393002	3 February 2021	Zhonggan Communication
65.	Urban Waste Big Data Decision System V1.0 (城市垃圾大數據決策系統V1.0)	2021SR0393001	2 February 2021	Zhonggan Communication
66.	Video Big Data Retrieval System V1.0 (視頻大數據檢索系統V1.0)	2021SR0393014	3 February 2021	Zhonggan Communication
67.	Merchant Electronic Credible Certificate and Photo Deposit System V1.0 (商戶電子可信證照存證系統V1.0)	2021SR0393013	1 February 2021	Zhonggan Communication
68.	Front-end Image Acquisition Encryption System V1.0 (前端圖像採集加密系統V1.0).	2021SR0393012	10 February 2021	Zhonggan Communication
69.	Cloud Platform Video Quality Diagnosis Service System V1.0 (雲平台視頻質量診斷服務系統V1.0)	2021SR0392942	10 February 2021	Zhonggan Communication

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70.	Blockchain-based Police Instant Messaging System V1.0 (基於區塊鏈的警務即時通訊系統V1.0) . . .	2021SR0393280	9 February 2021	Zhonggan Communication
71.	Law Enforcement Data Distributed Storage System V1.0 (執法數據分佈式存儲系統V1.0)	2021SR0393279	7 February 2021	Zhonggan Communication
72.	Hyper-converged Video Big Data Optimisation System V1.0 (超融合視頻大數據優化系統V1.0)	2021SR0393278	1 February 2021	Zhonggan Communication
73.	Gantong Information Platform Monitoring System V1.0 (贛通信息化平台監控系統V1.0)	2021SR1584517	16 August 2021	Zhonggan Communication
74.	Gantong Communication Base Station Network Monitoring Real-time Transmission System V1.0 (贛通通信基站網絡監測實時傳輸系統V1.0)	2021SR1584516	4 August 2021	Zhonggan Communication
75.	Gantong Intelligent Instrument Management System Software V1.0 (贛通智能化儀錶管理系統軟件V1.0)	2021SR1584515	20 August 2021	Zhonggan Communication
76.	Gantong Engine Room Power Environment Monitoring System V2.0 (贛通機房動力環境監控系統V2.0)	2021SR1580196	25 August 2021	Zhonggan Communication
77.	Communication Base Station Construction Project Management System V2.0 (通信基站建設項目管理系統V2.0)	2021SR1580195	28 August 2021	Zhonggan Communication
78.	Gantong Communication Base Station Temperature Intelligent Control Software V1.0 (贛通通信基站溫度智能控制軟件V1.0) . . .	2021SR1583947	10 August 2021	Zhonggan Communication
79.	Base Station Non-dependent Detection System V1.0 (基站無依托檢測系統V1.0)	2021SR1518975	31 December 2020	GLP Technology
80.	Super Standard Grain Supervision Platform V1.0 (超標糧監管平台V1.0).	2021SR1518976	30 December 2020	GLP Technology
81.	Blockchain Digital Water Platform V1.0 (區塊鏈智慧水務平台V1.0)	2021SR1518977	24 December 2020	GLP Technology

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82.	Grain Depot Dynamic Supervision System V1.0 (糧庫動態監管系統V1.0)	2021SR1518978	17 December 2020	GLP Technology
83.	Independent Communication Base Station Internal Equipment Energy-saving Performance Evaluation Software V1.0 (獨立通信基站內部設備節能性能評估軟件V1.0)	2022SR0752903	1 April 2022	Zhonggan Communication
84.	Non-synchronous Communication Network Communication Base Station Positioning System Control Software V1.0 (非同步方式的通信網通信基站定位元系統控制軟件V1.0)	2022SR0752904	4 April 2022	Zhonggan Communication
85.	Communication Base Station Substation Speculative Clustering Algorithm Simulation Software V1.0 (通信基站變電站推測聚類算法模擬軟件V1.0)	2022SR0752905	6 April 2022	Zhonggan Communication
86.	Communication Base Station Electromagnetic Radiation Prediction Formula Simulation Software V1.0 (通信基站電磁輻射預測公式模擬軟件V1.0)	2022SR0752547	13 April 2022	Zhonggan Communication
87.	Clap Intelligent Analysis Decision Artificial Perception Database System V1.0 (clap智能分析決策人工感知數據庫系統V1.0)	2022SR0765300	28 December 2021	GLP Technology
88.	Blockchain Integrated Supervision System V1.0 (區塊鏈綜合監管系統V1.0)	2022SR0655600	30 December 2021	GLP Technology
89.	Clap Urban Blockchain Data Security Authentication Service System V1.0 (clap城市區塊鏈數據安全驗真服務系統V1.0)	2022SR0765292	22 December 2021	GLP Technology
90.	Clap IoT-based Intelligent Monitoring HD Video Decoding Management System V1.0 (clap基於物聯網智慧監控高清視頻解譯碼管理系統V1.0)	2022SR0765293	31 December 2021	GLP Technology
91.	Clap Base Station Server Room Non-dependent Detection and Monitoring System V1.0 (clap基站機房無依托檢測及監測系統V1.0)	2022SR0769569	23 December 2021	GLP Technology

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92.	Communication Base Station Air Conditioning Energy-saving Control Software V1.0 (通信基站空調節能控制軟件V1.0)	2022SR0772619	18 April 2022	Zhonggan Communication
93.	Communication Base Station Generator Intelligent Monitoring Terminal Software V1.0 (通信基站發電機智能監控終端軟件V1.0) .	2022SR0772521	20 April 2022	Zhonggan Communication
94.	Communication Base Station Temperature Control and Regulation Background System Software V1.0 (通信基站溫控控制調節後台系統軟件V1.0)	2022SR0772520	25 April 2022	Zhonggan Communication
95.	Medical Management Collaborative Office System Software V1.0 (醫療管理協同辦公系統軟件V1.0)	2022SR1123650	23 June 2022	GLP Technology
96.	Digital Parking Management Cloud Platform Software V1.0 (智慧停車場管理雲平台軟件V1.0)	2022SR1123548	22 June 2022	GLP Technology
97.	Digital City Management Application Platform System V1.0 (數位城管應用平台系統V1.0).	2022SR1123639	6 July 2022	GLP Technology
98.	Intelligent Community Security Monitoring System Software V1.0 (智慧社區安防監控系統軟件V1.0)	2022SR1123752	6 July 2022	GLP Technology
99.	Intelligent Grain Silo Temperature Real-time Collection Software V1.0 (智慧糧倉溫度實時採集軟件V1.0)	2022SR1123623	5 July 2022	GLP Technology
100.	Intelligent Factory Production Equipment Operation Management Software V1.0 (智慧工廠生產設備運行管理軟件V1.0). . .	2022SR1123622	21 June 2022	GLP Technology
101.	Hospital Infection Management Software Based on Medical Management V1.0 (基於醫療管理的醫院感染管理軟體V1.0) .	2022SR1182854	27 June 2022	GLP Technology
102.	Digital Hospital Information Integration and Interaction Platform V1.0 (智慧醫院信息集成與交互平台V1.0)	2022SR1279946	22 June 2022	GLP Technology
103.	Clap VR Remote Interactive Classroom Platform V1.0 (Clap VR遠程互動教室平台V1.0)	2023SR0381118	31 March 2022	GLP Technology

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104.	Medical Digital Twin Visual Decision-making Platform V1.0 (醫療數字孿生可視化決策平台V1.0)	2023SR0382811	31 August 2022	GLP Technology
105.	Governmental Administration Cloud Office Platform V1.0 (政務雲辦公平台V1.0) . . .	2023SR0392492	10 October 2022	GLP Technology
106.	Digital Campus Educational Service Cloud Platform V1.0 (智慧校園教務服務雲平台V1.0)	2023SR0381117	31 May 2022	GLP Technology
107.	Digital Campus Educational Service Cloud Platform V1.0 (智慧園區全生命服務平台V1.0)	2023SR0382812	10 June 2022	GLP Technology
108.	Intelligent Unmanned Aerial Vehicle Path Planning Simulation System V1.0 (智慧無人機路徑規劃仿真系統V1.0)	2023SR0382810	26 December 2022	GLP Technology
109.	Lightweight Online Project Task Collaboration System V1.0 (輕量級在線項目任務協作系統V1.0)	2023SR0372019	31 January 2022	GLP Technology
110.	Communication Engineering Construction Project Management System V1.0 (通信工程施工項目管理系統V1.0)	2023SR0372106	27 December 2022	Zhonggan Communication
111.	Communication Engineering Equipment Safety Detection System V1.0 (通信工程設備安全檢測系統V1.0)	2023SR0381120	1 December 2022	Zhonggan Communication
112.	Communication Engineering Network Comprehensive Coverage Site Management Software V1.0 (通信工程網路綜合覆蓋站址管理軟件V1.0)	2023SR0401052	28 February 2022	Zhonggan Communication
113.	Communication Engineering Network Troubleshooting Base Station Troubleshooting Software V1.0 (通信工程網路疑難基站排查軟件V1.0). . .	2023SR0392490	31 August 2022	Zhonggan Communication
114.	Radio Monitoring Equipment Maintenance and Maintenance Management System V1.0 (無線電監測設備維修養護管理系統V1.0) .	2023SR0382806	10 May 2022	Zhonggan Communication
115.	Medical Knowledge Chain Digital Platform V1.0 (醫識鏈數字平台V1.0).	2023SR0381119	31 December 2022	Zhonggan Communication
116.	GTC Data Center Service Software V1.0 (GTC數據中台服務軟件V1.0).	2023SRO371973	12 December 2022	Zhonggan Communication

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117.	GTC Carbon-free Base Station Wind Power Monitoring Software V1.0 (GTC無碳基站風電監控軟件V1.0)	2023SR0382807	30 June 2022	Zhonggan Communication
118.	GTC Digital Internet of Things Management Platform V1.0 (GTC智慧物聯網關管理平台V1.0)	2023SR0392487	5 December 2022	Zhonggan Communication
119.	GTC Automated Operation and Maintenance Platform V1.0 (GTC自動化運維平台V1.0)	2023SR0381121	31 August 2022	Zhonggan Communication
120.	Communication Construction Schedule and Resource Management Software V1.0 (通信施工進度與資源管理軟件V1.0)	2023SR1542009	22 September 2023	Zhonggan Communication
121.	Communication Construction Site Data Acquisition and Analysis Software V1.0 (通信施工現場數據採集與分析軟件V1.0) .	2023SR1544979	11 September 2023	Zhonggan Communication
122.	Communication Construction Project Cost Control and Forecast Software V1.0 (通信施工項目成本控制與預測軟件V1.0) .	2023SR1585823	22 September 2023	Zhonggan Communication
123.	Communication Construction Quality Acceptance and Report Generation System V1.0 (通信施工質量驗收與報告生成系統V1.0) .	2023SR1585977	22 September 2023	Zhonggan Communication
124.	Intelligent Communication Construction Monitoring and Scheduling Software V1.0 (智慧通信施工監測與調度軟件V1.0)	2023SR1556293	8 September 2023	Zhonggan Communication
125.	Canoe Artificial Intelligence Speech Training Software V1.0 (Canoe 人工智慧語音訓練軟件V1.0) . . .	2023SR0677930	31 December 2022	GLP Technology
126.	CANOE Blockchain Big Data Analysis Platform [Abbreviation: CANOE Digital Intelligence Chain] V1.0 (CANOE區塊鏈大數據分析平台[簡稱：CANOE數智鏈]V1.0)	2023SR1146412	10 July 2022	GLP Software
127.	VR Training System V1.0 (VR實訓系統V1.0).	2023SR0914018	8 June 2023	GLP Software

No.	Copyright	Registration number/ Certificate number	First publication date	Registered owner
128.	Digital Education Management Platform V1.0 (智慧教務管理平台V1.0)	2023SR0915040	1 June 2023	GLP Software
129.	Command Center Visualization System Software V2.0 (指揮中心可視化系統軟件V2.0)	2024SR0159053	30 July 2023	GLP Software
130.	Public Safety Video Image Information Sharing System Based on Blockchain (基於區塊鏈的公共安全視頻圖像信息共享系統V2.0)	2024SR0159058	16 August 2023	GLP Software

(d) Domain names

As of the Latest Practicable Date, the Group had registered the following domain name which, in the opinion of the Directors, is or may be material to its business:

No.	Domain name	Name of registered proprietor	Date of registration	Date of expiry
1.	gantongjt.com.	Zhonggan Communication	14 June 2019	14 June 2029
2.	gantong.net	Zhonggan Communication	13 April 2009	13 April 2027
3.	claptech.net.	GLP Technology	4 June 2018	4 June 2026

C. FURTHER INFORMATION ABOUT THE DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Disclosure of Interests – Interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations

Immediately following completion of the **[REDACTED]** and the **[REDACTED]** and assuming that the **[REDACTED]** or any option which may be granted under the Share Option Scheme is not exercised, the interests or short positions of Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange once its Shares are **[REDACTED]** will be as follows:

Interest in the Company

Name of Director	Nature of interest	Number of Shares interested(1)	Approximate percentage of interest (%)
Mr. Liu Haoqiong . .	Interest in controlled corporation (2)	**[REDACTED]**	**[REDACTED]**
Mr. Liu Dingyi	Interest in controlled corporation (3)	**[REDACTED]**	**[REDACTED]**
Mr. Liu Dingli	Interest in controlled corporation (4)	**[REDACTED]**	**[REDACTED]**

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) GT & Yangtze is owned as to 70.0% by Mr. Liu Haoqiong and as to 30.0% by Ms. Tao Xiulan, the spouse of Mr. Haoqiong. By virtue of the SFO, Mr. Liu Haoqiong and Ms. Tao Xiulan are deemed to be interested in the Shares held by GT & Yangtze.

(3) Octuple Hills is wholly-owned by Mr. Liu Dingyi. By virtue of the SFO, Mr. Liu Dingyi is deemed to be interested in the Shares held by Octuple Hills.

(4) Huat Huat is wholly-owned by Mr. Liu Dingli. By virtue of the SFO, Mr. Liu Dingli is deemed to be interested in the Shares held by Huat Huat.

Interest in associated corporation of the Company

Name of Director	Name of associated corporation	Nature of interest	Number of Shares interested(Note)	Approximate percentage of interest (%)
Mr. Liu Haoqiong . .	GT & Yangtze	Beneficial owner	[REDACTED]	[REDACTED]

Note: The letter "L" denotes the person's long position in the Shares.

(b) Particulars of service agreements and letters of appointment

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from the date of appointment or re-designation as an executive Director, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from the date of appointment, which may be terminated by not less than three months' notice in writing served by either party on the other.

(c) Directors' remuneration

Each of the executive Directors, namely Mr. Liu Haoqiong, Mr. Peng Shengqian, Ms. Xie Xiaolan, Mr. Liu Dingli, Mr. Liu Dingyi and Mr. Zhou Zhiqiang, is entitled to an annual remuneration of RMB0.9 million, RMB0.6 million, RMB0.3 million, RMB0.4 million, RMB0.1 million and RMB0.2 million, respectively. For the years ended 31 December 2021, 2022 and 2023, the aggregate remuneration (including fees, salaries, contributions to pension schemes, bonus, retirement benefits scheme, allowance and other benefits in kind) paid to the Directors was approximately RMB2.3 million, RMB2.5 million and RMB1.5 million, respectively. For details, please refer to note 8 of the Accountants' Report set out in Appendix I to this document.

Each of the independent non-executive Directors has been appointed for a term of three years. The Company intends to pay a director's fee of RMB72,000 per annum to each of them. Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Under the arrangement currently in force, the aggregate remuneration (including fees, salaries, bonus, contributions to retirement benefits scheme, allowances and other benefits in kind) of the Directors for the year ending 31 December 2024 is estimated to be no more than RMB2.6 million.

2. Substantial shareholders

Save as disclosed in the section headed "Substantial Shareholders" in this document, the Directors are not aware of any person (other than the Directors or chief executive of the Company) who will, immediately following the completion of the **[REDACTED]** and the **[REDACTED]** assuming that the **[REDACTED]** or any option which may be granted under the Share Option Scheme is not exercised, have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the issued voting shares of the Company.

3. Agency fees or commissions received

Save as disclosed in the section headed "**[REDACTED]**" in this document, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of the Group within the two years immediately preceding the date of this document.

4. Directors' Competing Interest

None of the Directors is interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group.

5. Disclaimers

(a) save as disclosed in this section, none of the Directors or chief executive of the Company has any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once the Shares are **[REDACTED]**;

(b) none of the Directors or experts referred to under "– E. Other Information – 8. Qualifications and consents of experts" below has any direct or indirect interest in the promotion of the Company, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(c) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group taken as a whole;

(d) save as disclosed in this section, none of the Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(e) taking no account of Shares which may be taken up under the **[REDACTED]**, save as disclosed in this section, none of the Directors knows of any person (not being a Director or chief executive of the Company) who will, immediately following completion of the **[REDACTED]**, have an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the issued voting shares of any member of the Group; and

(f) so far as is known to the Directors, as of the Latest Practicable Date, none of the Directors, their respective close associates (as defined under the Listing Rules) or Shareholders of the Company who are interested in more than 5% of the total number of issued Shares has any interests in the five largest customers of the Group in each year during the Track Record Period or the five largest suppliers of the Group in each year during the Track Record Period.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of the Shareholders passed on 17 June 2024.

(a) Purpose

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to the Eligible Participants (as defined in paragraph (b) below) for their contribution or potential contribution to the Group and to promote the success of the business of the Group.

The Share Option Scheme will give the Eligible Participants an opportunity to have a personal stake in the Company and will help achieve the following objectives:

(i) motivate the Eligible Participants to optimise their performance and efficiency for the benefit of the Group; and

(ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial the long-term growth and profitability of the Group.

(b) Eligible Participants

The Board may, at its absolute discretion, offer to grant options to subscribe for such number of Shares as the Board may determine to any of the following classes of participants (collectively the "**Eligible Participants**"):

(i) any director or employee of any member of our Group (including persons who are granted options under the scheme as an inducement to enter into employment contracts with these companies) (the "**Employee Participant**");

(ii) any director or employee of any of the holding companies, fellow subsidiaries or associated companies of the Company (the "**Related Entity Participant**"); and

(iii) any person who provides services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group (the "**Service Provider**").

Service Providers include but are not limited to persons (natural persons, corporate entities or otherwise) who work for the Group as independent contractors where the continuity and frequency of their services are akin to those of employees, but excluding placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions, or professional service providers such as auditors or valuers who provide assurance, or those who are required to perform their services with impartiality and objectivity.

The basis of eligibility of any of the Eligible Participants shall be determined by the Board from time to time at its sole discretion. In assessing the eligibility of any Employee Participant or Related Entity Participant, the Board will consider all relevant factors as appropriate, including, among others, (i) work performance; (ii) years of service; and (iii) potential or actual contribution to the business of the Group.

The basis of eligibility of any Service Provider to the grant of any options shall be determined by the Board from time to time at its sole discretion on the basis of his/its contribution to the development and growth of, the degree of involvement in and/or cooperation with the Group, length of the business relationship of the Group with the Service Provider, and the actual or potential support, advice, efforts and contributions the Service Provider has exerted and given towards the success of the Group.

(c) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by an Eligible Participant and to have taken effect when the duplicate offer document constituting acceptances of the options is duly signed by such Eligible Participant, together with a remittance or payment in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date. Such remittance or payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined by the Eligible Participant and the offer shall lapse.

Subject to paragraphs (l), (m), (n), (o), (p) and (q), an option may be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to the Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance or payment for the full amount of the exercise price for the Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance or payment and, where appropriate, receipt of the certificate by the auditors to the Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), the Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of the Shares so allotted.

The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of the Company.

(d) Scheme Mandate Limit and the Service Provider Sublimit

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the total number of Shares in issue as of the **[REDACTED]**, being **[REDACTED]** Shares (the "**Scheme Mandate Limit**"). Options lapsed in accordance with the terms of the Share Option Scheme and any Other Scheme of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

Subject to the above, within the Scheme Mandate Limit, the total number of Shares which may be issued upon exercise of all options to be granted to Service Providers shall not exceed **[REDACTED]** Shares, representing 1% of the total number of Shares in issue on the **[REDACTED]** (the "**Service Provider Sublimit**").

The Service Provider Sublimit was determined with reference to the potential dilution effect arising from grants to Service Providers, the actual or expected improvement of our financial performance is attributable to Service Providers and the time for using the Service Provider in the activities of the Group. Considering the fact that there is no other share schemes involving grant of new options over the Shares, organisational structures and that Service Providers have contributed or is expected to contribute to the long-term growth of the Company's business, the Board is of the view that the Service Provider Sublimit is appropriate and reasonable.

The Board may, with the approval of the Shareholders in general meeting refresh, the Scheme Mandate Limit and the Service Provider Sublimit after three years from the date of the Shareholders' approval for the last refreshment or the **[REDACTED]** provided that the total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and any other share schemes of the Company as refreshed must not exceed 10% of the Shares in issue as at the date of approval of the refreshment of the Scheme Mandate Limit and the Service Provider Sublimit. Refreshments of Scheme Mandate Limit (and the Service Provider Sublimit) to be made within a three-year period must be approved by the Shareholders in a manner in compliance with Rule 17.03C of the Listing Rules.

(e) Maximum entitlement of each individual

The total number of Shares issued and to be issued in respect of all options and awards granted to each Eligible Participant under this Scheme and any other share scheme(s) of the Company (excluding options and awards that have been lapsed in accordance with the terms of the relevant share schemes) in any 12-month period up to and including the date of such grant shall not in aggregate exceed 1% of the total number of Shares in issue (the "**1% Individual Limit**").

Any further grant of options or awards to an Eligible Participant in excess of the 1% Individual Limit shall be subject to the approval of the Shareholders in general meeting with such Eligible Participant and his close associates (or associates if the Eligible Participant is a connected person of the Company) abstaining from voting. The Company must send a circular to the Shareholders disclosing the identity of the Eligible Participant, the number and terms of the options or awards to be granted (and those previously granted to such Eligible Participant in the 12-month period) and such other information required under the Listing Rules.

(f) Grant of options to connected persons

Any grant of options to a Director, chief executive or substantial shareholder of the Company, or any of their respective associates, under the Share Option Scheme must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options) and shall comply with the relevant provisions of Chapter 17 of the Listing Rules.

Where any grant of options to a substantial shareholder or an independent non-executive Director of the Company, or any of their respective associates, would result in the Shares issued and to be issued in respect of all options and awards granted under all share schemes of the Company (excluding any options and awards lapsed in accordance with the terms of the relevant share schemes) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue, such further grant of options must be approved by the Shareholders in general meeting. Such grantee, his associates and all core connected persons of the Company must abstain from voting on the resolution to approve such further grant of options. The Company shall send to the Shareholders a circular containing the information required under the Listing Rules for the purpose of seeking the approval of the Shareholders.

(g) Price of Shares

Subject to any adjustments made as described in paragraph (r) below, the exercise price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and

(ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant.

(h) Restrictions on the times of grant of options

A grant of options may not be made after inside information has come to the knowledge of the Company until (and including) the trading day after it has announced such inside information pursuant to the requirements of the Listing Rules and the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for approving the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

(ii) the deadline on which the Company shall announce its results for any year or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. No option may be granted during any period of delay in publishing a results announcement.

Notwithstanding the above, a Director must not deal in any securities of the Company (and no options may be granted to a Director) on any day on which its financial results are published and:

(i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(ii) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results,

unless the circumstances are exceptional which has to be met the requirements of the Listing Rules.

(i) Rights are personal to grantee

An option and an offer to grant an option shall be personal to the grantee and shall not be transferable or assignable. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option held by him/her or any offer relating to the grant of an option made to him/her or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle the Company to cancel, revoke or terminate any outstanding options or any part thereof granted to such grantee.

(j) Time of exercise of option and duration of the Share Option Scheme

The vesting period for any option granted to any grantee shall not be less than twelve (12) months from the date of grant of such option. An option may be exercised by a grantee of an Option in accordance with the terms of the Share Option Scheme during the option period which shall be determined by the Board in its absolute discretion, but in any any event shall not exceed 10 years from the date of grant of the option. No option may be offered or granted more than 10 years after the **[REDACTED]**. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the **[REDACTED]**.

(k) Performance target

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) Rights on ceasing employment or death

If the grantee of an option ceases to be an employee or a director of the Company or any of its subsidiaries or associated companies:

(i) by any reason other than death or termination of his or her employment or directorship on the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month (or such longer period as the Board may determine) from such cessation (which date shall be the last actual working day with the Company or the relevant subsidiary whether salary is paid in lieu of notice or not) or up to the expiration of the option period, whichever is earlier; or

(ii) by reason of death, his/her personal representative(s) may exercise the option in full (to the extent not already exercised) within a period of 12 months (or such longer period as the Board may determine) from the date of death or up to the expiration of the option period, whichever is earlier.

(m) Rights on dismissal

If the grantee of an option ceases to be an employee or a director of the Company or any of its subsidiaries or associated companies on one or more grounds that he/she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his/her integrity or honesty (if so determined by the Board), on any other ground on which an employee or a director would be entitled to terminate his/her employment or directorship at common law or pursuant to any applicable laws or under the grantee's service contract or appointment letter with the relevant company, or has been convicted of any criminal offence involving his/her integrity or honesty, his or her option (to the extent not already exercised) shall lapse on the date of the termination of his/her employment or directorship and not be exercisable.

(n) Rights on breach of contract

If the grantee who is a Service Provider by reason of breach of contract entered into between he/she/it and the Group, or termination of his/her/its engagement or appointment, or the Board believes such grantee has become a competitor of the Group, or the Grantee has become bankrupt or has become insolvent or has made any arrangement or composition with his/her/its creditors generally, has committed any serious misconduct, or has been convicted of any criminal offence, the options (to the extent not already exercised) shall lapse on the date of the Board's determination and not be exercisable.

(o) Rights on takeover

If a general or partial offer is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(p) Rights on winding-up

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his/her legal personal representative(s)) shall be entitled to exercise all or any of his or her options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of the Company referred to above by giving notice in writing to the Company, accompanied by a remittance or payment for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(q) Rights on compromise or arrangement between the Company and its members or creditors

If a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of the Company or its amalgamation with any other companies pursuant to the Cayman Islands Companies Act, the Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members and/or creditors summoning the meeting to consider such a compromise or arrangement and any grantee may by notice in writing to the Company accompanied by a remittance or payment for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by the Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and the Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable as if such compromise or arrangement had not been proposed by the Company.

(r) Ranking of Shares

The Shares to be allotted and issued upon the exercise of an option will not carry voting, dividend or other rights until completion of the registration of the grantee as the holder thereof. Subject to the aforesaid, Shares to be allotted and issued on the exercise of options shall be subject to the provisions of the Articles of Association and shall carry the same rights in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of issue and rights in respect of any dividend or other distributions paid or made on or after the date of issue.

(s) Effect of alterations to capital

In the event of any alteration in the capital structure of the Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, consolidation, sub-division or reduction of share capital of the Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any options so far as unexercised, exercise price per Share of each outstanding option and/or the maximum numbers of Shares in respect of which Options may be granted. The auditors of the Company or an independent financial adviser shall confirm in writing to the Board that such adjustment satisfies the requirements of Rule 17.03(13) of the Listing Rules and the note thereto and any applicable guidance and/or interpretation of the Listing Rules from time to time, except where such adjustment is made on a capitalization issue. The capacity of the auditors of the Company or the approval independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrations and their certificate shall, in absence of manifest error, be final and conclusive and binding on the Company and the grantees.

Any such adjustments shall be made on the basis that a grantee shall have the same proportion of the issued share capital of the Company as that to which he was entitled before such adjustment and the aggregate exercise price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of Shares as consideration in a transaction is not to be regarded as a circumstance requiring any such adjustment.

(t) Lapse of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the date of expiry of the option as may be determined by the Board;

(ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);

(iii) the date on which the scheme of arrangement of the Company referred to in paragraph (q) becomes effective;

(iv) subject to paragraph (p), the date of commencement of the winding-up of the Company;

(v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of the Company or any of its subsidiaries or the termination of his/her employment or contract on any one or more of the grounds that he/she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his/her integrity or honesty, or in relation to an employee of the Group (if so determined by the Board), or has been insolvent, bankrupt or has made compositions with his/her creditors generally or any other ground on which an employee would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

(vi) the date on which the Board shall exercise the Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are canceled in accordance with paragraph (v) below.

(u) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board or administrator of the Share Option Scheme except that:

(i) any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, except where the alterations take effect automatically under the existing terms of the Share Option Scheme;

(ii) any alterations to the advantage of the Eligible Participants or the grantee (as the case maybe) relating to matters set out in rule 17.03 of the Listing Rules; and

(iii) any change to the authority of the Directors or administrator of the Share Option Scheme in relation to any alteration to the terms of the Share Option, shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval. The amended terms of the Share Option Scheme or the options granted shall still comply with Chapter 17 of the Listing Rules.

(v) Cancellation of options

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any option is canceled pursuant to paragraph (i).

(w) Termination of the Share Option Scheme

The Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered or granted but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the terms of the grant and the Share Option Scheme or be canceled in accordance with paragraph (v).

(x) Administration of the Board

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising from or in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein and in the absence of manifest error) shall be final and binding on all parties.

(y) Conditions of the Share Option Scheme

The Share Option Scheme shall take effect subject to and is conditional upon:

(i) the passing of the necessary resolutions by the Shareholders to approve and adopt the rules of the Share Option Scheme;

(ii) the Stock Exchange granting the approval for the **[REDACTED]** of and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;

(iii) the obligations of the **[REDACTED]** under the **[REDACTED]** becoming unconditional (including, if relevant, as a result of the waiver(s) of any such condition(s) by the Sole **[REDACTED]** (on behalf of the **[REDACTED]**)) and not being terminated in accordance with the terms of the **[REDACTED]** or otherwise;

(iv) the commencement of dealings in the Shares on the Stock Exchange.

If the conditions in paragraph (y) above are not satisfied within six calendar months from the adoption date:

(i) the Share Option Scheme shall forthwith determine;

(ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and

(iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(z) Disclosure in annual and interim reports

The Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(aa) Present status of the Share Option Scheme

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Stock Exchange for the granting of the approval for the **[REDACTED]** of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being **[REDACTED]** Shares in total.

E. OTHER INFORMATION

1. Tax and other indemnities

The Controlling Shareholders have entered into the Deed of Indemnity with and in favor of the Company (for itself and as trustee for each of its subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters, (i) any liability for estate duty under the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong), or legislation similar thereto in Hong Kong or any jurisdictions outside Hong Kong which might be incurred by any member of the Group on or before the **[REDACTED]**; and (ii) any additional tax demand, late charges or penalties incurred after the **[REDACTED]** arising from any unreported tax, outstanding tax payment and any other tax liabilities resulting from any breach of applicable laws or regulations in the relevant jurisdiction by any member of the Group on or before the **[REDACTED]**.

2. Litigation

As of the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of the Group.

3. Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor will receive an aggregate fee of HK$6.0 million for acting as the sponsor for the **[REDACTED]**.

The Sole Sponsor has made an application on the Company's behalf to the Stock Exchange for the granting of the approval for the **[REDACTED]** of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this document (including any Shares which may be issued pursuant to the exercise of the **[REDACTED]** and any options which may be granted under the Share Option Scheme). All necessary arrangements have been made for the Shares to be admitted into **[REDACTED]**.

4. Preliminary expenses

The preliminary expenses incurred and paid by the Company relating to the incorporation of the Company were approximately HK$26,000.

5. No material adverse change

Saved as disclosed in the sections headed "Summary" and "Financial Information" in this document, the Directors confirm that there has been no material adverse change in the Group's financial or trading position since 31 December 2023 (being the date on which the latest audited consolidated financial statements of the Group was prepared).

6. Promoter

The Company has no promoter. Within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the **[REDACTED]** and the related transactions described in this document.

7. Taxation of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfer of Shares provided that the relevant instrument of transfer and transfer documents are executed and remain(s) outside the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of holding or disposing of or dealing in the Shares. It is emphasised that none of the Company, the Directors or the other parties involved in the **[REDACTED]** will accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

8. Qualifications and consents of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this document:

Name	Qualifications
Zhongtai International Capital Limited	Licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
KPMG	Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Ogier	Legal advisers to the Company as to Cayman Islands laws
JunZeJun Law Offices	Legal advisers to the Company as to the PRC laws
HG Appraisal & Consulting Limited	Property valuer
Ipsos Asia Limited	Industry consultant

Each of the experts named above has given and has not withdrawn its written consent to the issue of this document with the inclusion of its reports, letters, opinions, summaries of opinions and/or references to its names included herein in the form and context in which they respectively appear.

9. Interests of experts in the Company

None of the persons named in "8. Qualifications and consents of experts" above is interested beneficially or otherwise in any Shares or shares of any member of the Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of the Group.

10. Binding effect

This document shall have the effect, in an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. Miscellaneous

(a) Within the two years immediately preceding the date of this document:

(i) save as disclosed in "History and Reorganisation" in this document, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries; and

(iv) no commission has been paid or payable subscribing, agreeing to subscribe or procuring subscription or agreeing to procure subscription for any shares in the Company or any of its subsidiaries;

(b) no founder, management or deferred Shares nor any debenture in the Company or any of its subsidiaries have been issued or agreed to be issued;

(c) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this document;

(d) the principal register of members of the Company will be maintained in the Cayman Islands by **[REDACTED]** and a branch register of members of the Company will be maintained in Hong Kong by **[REDACTED]**. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Company's **[REDACTED]** in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to **[REDACTED]**;

(e) no company within the Group is presently listed on any stock exchange or traded on any trading system nor is any listing or permission to deal being or proposed to be sought;

(f) the Directors have been advised that under Cayman Islands Companies Act the use of a Chinese name by the Company does not contravene the Cayman Islands Companies Act;

(g) there is no arrangement under which future dividends are waived or agreed to be waived;

(h) the Company has no outstanding convertible debt securities or debentures; and

(i) there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong.

12. Bilingual document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this document, the English language version shall prevail.

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were (a) the written consents referred to in "Statutory and General Information – E. Other Information – 8. Qualifications and consents of experts" in Appendix V to this document; and (b) a copy of each of the material contracts referred to in "Statutory and General Information – B. Further Information about the Group's Business – I. Summary of material contracts" in Appendix V to this document.

B. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the Stock Exchange's website at **www.hkexnews.hk** and the Company's website at **www.gantongjt.com** up to and including the date which is 14 days from the date of this document:

(a) the Memorandum of Association and the Articles of Association;

(b) the Accountants' Report of the Group from KPMG, the text of which is set out in Appendix I to this document;

(c) the report in respect of the **[REDACTED]** of the Group from KPMG, the text of which is set out in Appendix II to this document;

(d) the audited consolidated financial statements of the Group for the years ended 31 December 2021, 2022 and 2023;

(e) the legal opinion dated the document date issued by JunZeJun Law Offices, the Company's legal advisers as to PRC laws, in respect of certain aspects, general corporate matters and property interests of the Group;

(f) the letter of advice dated the document date issued by Ogier, the Company's legal advisers as to Cayman Islands law, summarising certain aspects of Cayman Islands company law referred to in Appendix IV to this document;

(g) the Cayman Islands Companies Act;

(h) the rules of the Share Option Scheme;

(i) the material contracts referred to in "Statutory and General Information – B. Further Information about the Group's Business – 1. Summary of material contracts" in Appendix V to this document;

(j) the service agreements and letters of appointment entered into between the Company and each of the Directors (as applicable) referred to in "Statutory and General Information – C. Further Information about the Directors and Substantial Shareholders – I. Directors" in Appendix V to this document;

(k) the written consents referred to in "Statutory and General Information – E. Other Information – 8. Qualifications and consents of experts" in Appendix V to this document;

(l) the report issued by Ipsos, the summary of which is set forth in the section headed "Industry Overview" in this document; and

(m) the property valuation report issued by HG Appraisal & Consulting Limited, the text of which is set out in Appendix III to this document.