WELLCELL

WellCell Holdings Co., Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 02477

ANNUAL REPORT 2023

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Director

Mr. Lin Qihao

Independent Non-Executive Directors

Mr. Wu Wing Kuen, *B.B.S.*
Dr. Leung Kwong Sak
Mr. Yu Chi Wing

AUDIT COMMITTEE

Mr. Yu Chi Wing *(Chairman)*
Mr. Wu Wing Kuen, *B.B.S.*
Dr. Leung Kwong Sak

NOMINATION COMMITTEE

Mr. Yu Chi Wing *(Chairman)*
Mr. Wu Wing Kuen, *B.B.S.*
Dr. Leung Kwong Sak

REMUNERATION COMMITTEE

Mr. Yu Chi Wing *(Chairman)*
Mr. Wu Wing Kuen, *B.B.S.*
Dr. Leung Kwong Sak

COMPANY SECRETARY

Mr. Yiu Chun Wing

AUTHORISED REPRESENTATIVES

Mr. Yiu Chun Wing
Mr. Jia Zhengyi

AUDITORS

PricewaterhouseCoopers

LEGAL ADVISOR AS TO HONG KONG LAW

TC & Co., Solicitors

COMPLIANCE ADVISER

Halcyon Capital Limited

PRINCIPAL BANK

Bank of China Limited

REGISTERED OFFICE IN THE CAYMAN ISLANDS

71 Fort Street
PO Box 500
George Town
Grand Cayman KY1-1106
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Appleby Global Services (Cayman) Limited
71 Fort Street
PO Box 500
George Town
Grand Cayman KY1-1106
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Boardroom Share Registrars (HK) Limited
2103B, 21/F, 148 Electric Road
North Point, Hong Kong

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN THE PRC

Room 2105, Buildings 2
Meixi Commercial Plaza
No. 168 Lvyou Road
Xiangzhou District, Zhuhai City
Guangdong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG UNDER PART 16 OF THE COMPANIES ORDINANCE

Units 2201–2203, 22/F
Tai Tung Building
8 Fleming Road
Wai Chai, Hong Kong

COMPANY WEBSITE

www.wellcell.com.cn

STOCK CODE

Hong Kong Stock Exchange: 2477

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of WellCell Holdings Co., Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), I am pleased to present our first annual report for the year ended 31 December 2023 (the "**Reporting Period**").

The year ended 31 December 2023 is a milestone year for the Group and the successful listing of the Company's shares on the Main Board of the Hong Kong Stock Exchange on 12 January 2024 (the "**Listing**") is a breakthrough to our achievement and our continuous efforts in carrying out our expansion. The Listing not only provided additional capital funding but also reinforced our bargaining power for further banking facilities, allowing us to undertake sizeable projects in the future. It also provides a good opportunity to strengthen our internal control function and further promotes our Group as a well-organised establishment to the general public. I would like to thank all the professional parties involved and our staff for their contributions to the successful Listing.

RESULT PERFORMANCE

For the year ended 31 December 2023, our Group achieved an increase in turnover of approximately RMB29.5 million or 13.0% to approximately RMB256.0 million when compared with that for the year ended 31 December 2022. Such growth was mainly attributable to the favourable market condition of the telecommunication industry in the PRC during the year ended 31 December 2023. However, the profit of our Group for the year ended 31 December 2023 has decreased by approximately RMB3.9 million or 16.0% to RMB20.4 million when compared with that for the year ended 31 December 2022, which mainly due to the increase in subcontracting charges.

OUTLOOK

Following the remarkable development milestone of the Group being listed on the Main Board of the Hong Kong Stock Exchange, the Group's strategy is to continuously develop its business in the coming years and to deliver a safe, robust, sustainable and optimised performance from efficient business processes. Our business will continue to focus in providing our customers telecommunication network support services, information and communication technology integration services and telecommunication network-related software development services.

Looking ahead, our Group is positive about the demand for ICT integration services as the PRC Government has published favourable policies to promote the rapid growth of integration services, with downstream sectors continuing to carry out digitalisation transformation.

Also, the development of 5G has brought new demand for telecommunication network-related software from downstream clients, and companies are developing new software to meet the demand for intelligent and automatic network support. Since the trend of 5G will continue to drive the growth of software application in telecommunication network service, the demand for telecommunication network-related software will certainly increase which will benefit our telecommunication network service.

Taking into account the above, the Group will devote more resources in the development of the ICT integration services and software development businesses, details of which have been stated in our business plans and the use of proceeds as described in the prospectus published by the Company on 28 December 2023 (the "**Prospectus**"). Our management team is convinced that we will continue to build value over medium to long term for our shareholders.

CHAIRMAN'S STATEMENT

APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation to our team of management and dedicated staff for their hard work and commitment in dealing with the challenges in recent years and delivering the results we have seen to date. As always, we owe a debt of gratitude to our customers, business partners, professional parties, suppliers, board members and shareholders for their unwavering support, guidance and confidence in the Group that has enabled us to forge ahead and continually seek improvements in our business.

Mr. Jia Zhengyi
Chairman and Executive Director

Hong Kong, 19 April 2024

FINANCIAL HIGHLIGHTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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

(i) Servicer — Provision of telecommunication network support services

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

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

(b) telecommunication network infrastructure maintenance and engineering services: over the course of day-to-day usage, certain components of a telecommunication network infrastructure may malfunction to varying extents. The main target of the Group's telecommunication network infrastructure maintenance services is to address problems encountered through inspections of the relevant telecommunication network infrastructures (e.g. base stations) to identify issues and testing of their performance and functionality; examining and analysing issues (e.g. malfunctioning of base station components) that are discovered, and performing the necessary repair or maintenance work to restore their performance and functionality. Thus, this business line is of "maintenance" nature. Examples of the maintenance services include inspection and testing of the equipment, cables and power system of base stations, formulation and execution of repair solutions such as restoration and replacement of any malfunctioning components and/or arrangement for subcontractors to carry out emergency repair works. In addition, the Group also provides telecommunication network infrastructure engineering services which include provision of labour and engineering services in projects involving construction of telecommunication network infrastructure. The Group typically participates in and/or engage suitable subcontractors to perform construction and set-up works (such as excavation, cabling and construction of telecommunications pipeline) with a view to building and setting up new telecommunication network infrastructure. Thus, this business line is of "engineering" nature.

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

(ii) Integrator — ICT integration services

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

(iii) Developer — Telecommunication network-related software development

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

FINANCIAL REVIEW

Revenue

The Group principally derive its revenue from the provision of wireless telecommunication network enhancement services, telecommunication network infrastructure maintenance and engineering services and ICT integration services during the Reporting Period. The following table sets out the breakdown of the Group's revenue by nature.

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

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

Wireless telecommunication network enhancement services

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

Telecommunication network infrastructure maintenance and engineering services

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

ICT integration services

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

Software-related business

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

Other income

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

Subcontracting charges

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

Materials, suppliers and other project costs

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

Employee benefit expenses

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

Depreciation and amortisation

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

MANAGEMENT DISCUSSION AND ANALYSIS

Net impairment losses of contract assets and trade receivables

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

Other operating expenses

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

Listing expenses

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

Finance costs, net

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

Income tax expenses

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

Operating profit

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

Net profit margin

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

Final Dividend

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

Financial Position, Liquidity and Capital Resources

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

Cash position

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

Borrowings

As at 31 December 2023, the total bank borrowings of the Group, all of which were denominated in RMB, amounted to approximately RMB28.0 million (2022: RMB30.0 million) that bear floating interest rates from 3.7% to 4.1% per annum (2022: 3.7% to 4.2%). No financial instrument was being used for interest rate hedging purpose. Details of the maturity profile of the bank borrowings are set out in note 23 to this report.

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

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

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

Charges over assets of the Group

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

Gearing ratio

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

Foreign exchange exposure and treasury policies

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Capital commitments

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

Employees and remuneration policy

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

The Director's fee for each of the Directors is subject to the Board's review from time to time in its discretion after taking into account the recommendation of our Remuneration Committee. The remuneration package of each of the Directors is determined by reference to market terms, seniority, experience, and duties and responsibilities of that Director within the Group. The Directors are entitled to statutory benefits as required by law from time to time, such as pensions.

The remuneration policy of the Group to reward its employees and executives is based on their performance, qualifications, competence demonstrated and market comparable remuneration. A remuneration package typically comprises salary, contribution to pension schemes and discretionary bonuses relating to the profit of the relevant company. Upon and after the Listing, the remuneration package of the Directors and the senior management will, in addition to the above factors, be linked to the return to the Shareholders. The Remuneration Committee will review annually the remuneration of all the Directors and senior management to ensure that it is attractive enough to attract and retain a competent team of executive members.

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

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

Contingent liabilities

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

Use of proceeds

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

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Jia Zhengyi (賈正屹), aged 50, was appointed as our Executive Director on 14 September 2021 and as our Chairman of the Board of Directors and Chief Executive Officer on 31 May 2022. Mr. Jia is a co-founder of our Group and is primarily responsible for the overall business strategic direction, planning and execution of our Group. As at the date of this annual report, Mr. Jia is the Chairman of the Board of Directors and the general manager of WellCell Technology and a director of all the subsidiaries of our Group.

Mr. Jia has more than 20 years of experience in the information technology and telecommunication industry. Before establishing our Group, Mr. Jia had worked in various positions in the information technology sector. From April 1998 to April 1999, he worked as an electrical technician at China Construction Seventh Engineering Bureau Installation Engineering Co., Ltd (Fuzhou Branch) (中國建築第七工程局安裝工程有限公司福州分公司). From June 2000 to April 2002, he served as a sales engineer at Zhuhai Wanhe Technology Limited* (珠海萬禾技術有限公司) ("**Zhuhai Wanhe**"). In March 2003, Mr. Jia co-founded WellCell Technology, an indirect wholly-owned subsidiary of our Group, and successively served as chairman and general manager since May 2009.

Mr. Jia obtained a Bachelor's Degree in Applied Physics from the Northeastern University (東北大學) in the PRC in July 1997. He was awarded a Certification of Certified Project Manager (IPMA Level C) issued by the China Certification Management Board of the Project Management Research Committee ("**CPMRC**") from June 2016 to June 2021. He also holds an Electronic Technology Engineer (Intermediate) Competency Certificate* (電子技術工程師(中級)職稱證書) issued by the Zhuhai Human Resources and Social Security Bureau* (珠海市人力資源和社會保障局) in December 2018.

Ms. Liu Ping (劉萍), aged 48, was appointed as our Executive Director on 14 September 2021. Ms. Liu is a co-founder of our Group and is responsible for overseeing the business of the western region of the PRC. As at the date of this annual report, Ms. Liu is a director, vice general manager and secretary of the board of directors of WellCell Technology and the general manager responsible for the business in the western region of the PRC.

Ms. Liu has more than 20 years of experience in the information technology and telecommunication industry. In April 1998, she worked at Zhuhai Wanhe and left in February 2003 with her last position as a marketing manager. In March 2003, Ms. Liu co-founded WellCell Technology, an indirect wholly-owned subsidiary of our Group, and successively served as a secretary of the board of directors, vice general manager and director of WellCell Technology since April 2016.

Ms. Liu obtained a Bachelor's Degree in International Trade from the Sichuan University (四川大學) (formerly known as Sichuan United University* (四川聯合大學) in the PRC in July 1996. She was awarded a Certification of Certified Project Manager (IPMA Level C) by the CPMRC from June 2016 to June 2021.

Mr. Cong Bin (叢斌), aged 43, was appointed as our Executive Director on 14 September 2021. Mr. Cong is primarily responsible for overseeing the business in the northern region of the PRC. As at the date of this annual report, Mr. Cong is a director, the vice general manager and the general manager responsible for the business in the northern China region of WellCell Technology, and the general manager of WellCell Intelligent.

Mr. Cong has more than 19 years of experience in the information technology and telecommunication industry. From November 2003 to March 2008, he worked at Zhuhai Hart Technology Co., Ltd* (珠海哈特科技有限公司), as a sales manager, where he was primarily responsible for conducting market research, implementing sales plans, tracking project progresses and providing solutions for the company's image and video products. In March 2008, he joined our Group as the regional manager of the eastern region of the PRC, and has been the general manager responsible for business in the northern region of the PRC since April 2011. Mr. Cong has been a director and vice general manager of WellCell Technology since April 2016 and November 2018, respectively.

Mr. Cong obtained a Diploma in Communication Engineering from the Jilin University (吉林大學) in the PRC in December 2002. He was later awarded a Certification of Certified Project Manager (IPMA Level C) by the CPMRC in June 2017. He was awarded a Qualification of Telecommunication Professional in Terminal and Business Profession at the Intermediate Level (通信專業技術人員職業資格(終端與業務)(中級)) by the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) and Ministry of Industry and Information Technology of the PRC* (中華人民共和國工業和信息化部) in October 2018, and an Electronic Engineer (Intermediate) Competency Certificate* (電子技術工程師(中級)職稱證書) by the Zhuhai Human Resources and Social Security Bureau* (珠海市人力資源和社會保障局) in December 2018. In May 2019, Mr. Cong obtained a Qualification of Associate Constructor (level 2)* (二級建造師執業資格) by the Department of Human Resources and Social Security of Guangdong Province (廣東省人力資源和社會保障廳) and the Department of Housing and Urban-Rural Development of Guangdong Province (廣東省住房和城鄉建設廳). In October 2019, Mr. Cong was selected as an Industrial Young Talent in the "Cultivation Program for Industrial Young Talent in Zhuhai City" by the Zhuhai Human Resource Leading Group Office (珠海市人才工作領導小組辦公室). In September 2020, Mr. Cong obtained a Qualification of Constructor (Level 1)* (一級建造師執業資格) by the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) and the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部).

NON-EXECUTIVE DIRECTOR

Mr. Lin Qihao (林啟豪), aged 42, was appointed as our Non-executive Director on 14 September 2021. Mr. Lin is responsible for providing strategic advice to our Group, and developing and implementing our business strategies. As at the date of this annual report, Mr. Lin is a director of all subsidiaries of our Group.

Mr. Lin has more than 23 years of experience in the electronic technology industry. He was a director of Zhuhai Special Economic Zone Lijia Electronic Development Co., Limited* (珠海經濟特區利佳電子發展有限公司) from 1999 to August 2016, and has been a supervisor since August 2016, responsible for supervision of company operations. In June 2005, Mr. Lin began working at Zhuhai Qishuo Electronic Development Co., Limited* (珠海啟爍電子科技有限公司) where he was a director and manager, primarily responsible for overall management. In September 2018, Mr. Lin joined our Group as a director of WellCell Technology.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Wu Wing Kuen, ***B.B.S.*** **(胡永權)**, aged 66, was appointed as our Independent Non-executive Director on 15 December 2023. He is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. He is primarily responsible for providing independent advice to the Board of Directors and advising on corporate governance matters.

Mr. Wu has more than six years of experience in corporate management and governance of listed companies. He is currently a director of Jet View Investment Limited, which he joined in December 1991, and Jade Mind Investment Limited, which he joined since October 2004. Mr. Wu is also an independent non-executive director of (i) Nanfang Communication Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1617) since November 2016; and (ii) EFT Solutions Holdings Limited, a company listed on the GEM of the Stock Exchange (stock code: 8062) since March 2019. Mr. Wu was an independent non-executive director of (i) Million Cities Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2892), from June 2018 to December 2021; (ii) Palinda Group Holdings Limited (formerly known as Food Idea Holdings Limited), a company listed on the GEM of the Stock Exchange (stock code: 8179) from January 2019 to December 2022; and (iii) HG Semiconductor Limited (formerly known as HongGuang Lighting Holdings Company Limited), a company listed on the Main Board of the Stock Exchange (stock code: 6908) from December 2016 to 5 June 2023)

Dr. Leung Kwong Sak (梁廣錫), aged 68, was appointed as our Independent Non-executive Director on 15 December 2023. He is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. He is primarily responsible for providing independent advice to the Board of Directors and advising on business and strategic matters.

Dr. Leung has more than 30 years of experience in computer science and engineering. Dr. Leung joined the Chinese University of Hong Kong ("CUHK") as a full-time lecturer of the Department of Computer Science and Engineering in August 1985, and served as a senior lecturer from August 1990 to December 1995. Dr. Leung was the chairman of the Department of Computer Science and Engineering of the CUHK from August 1999 to July 2005. Between January 1996 and July 2002, Dr. Leung served as a reader (carrying the academic title of "Professor I") of the Department of Computer Science and Engineering, and from August 2002, he was a professor of computer science and engineering until July 2018. Dr. Leung retired from the CUHK in August 2018, and was subsequently appointed by the CUHK as a research professor serving his tenure until July 2021. From January 2014 to July 2021, he was appointed by the CUHK as an associate director of the Institute of Future Cities concurrently. Dr. Leung was awarded the title of emeritus professor by CUHK with effect from August 2018. Dr. Leung has been a distinguished professor of the Department of Applied Data Science of the Hong Kong Shue Yun University since November 2022.

Dr. Leung obtained a Bachelor of Science (Engineering) Degree in Electrical and Electronics Engineering and a Degree of Doctor of Philosophy from the University of London in the United Kingdom in August 1977 and December 1980, respectively. He was one of the chairpersons of the Association for Computing Machinery — Hong Kong Chapter and a council member of the Hong Kong Computer Society from 1993 to 1996. He was one of the distinguished fellows of Hong Kong Computer Society in 2000. He is also a fellow of The Hong Kong Institution of Engineers, a member of both The Institution of Engineering and Technology and Association for Computing Machinery, and a life senior member of The Institute of Electrical and Electronics Engineers, Inc.. Dr. Leung was registered as a chartered engineer by The Engineering Council (UK) in July 1986, and was admitted as a member of and has been a Chartered Electrical Engineer of The Institute of Electrical Engineers (currently known as The Institution of Engineering and Technology (UK)) since January 1986.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Yu Chi Wing (于志榮), aged 40, was appointed as our Independent Non-executive Director on 15 December 2023. He is the chairman of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. He is primarily responsible for providing independent advice to the Board and advising on corporate accounting and financial matters.

Mr. Yu has more than 15 years of experience in advisory, accounting, taxation and auditing. From June 2005 to June 2014, Mr. Yu worked at RSM Hong Kong, with his last position as manager. From June 2014 to May 2015, he worked as the financial controller at Niche-Tech (Hong Kong) Limited. Since June 2015, he has worked as the financial controller of Tactful Building Company Limited. Mr. Yu commenced his business of audit and assurance services under his name in March 2015 and founded JR & Co., Certified Public Accountants in September 2016, and later co-founded Emerald Capital CPA & Co. in May 2021. He has also been an independent non-executive director of Fameglow Holdings Limited (stock code: 8603) since September 2018, Wah Wo Holdings Group Limited (stock code: 9938) since January 2020 and GC Construction Holdings Limited (stock code: 1489) since October 2022.

Mr. Yu obtained a Bachelor of Arts Degree with a major in Accountancy from The Hong Kong Polytechnic University in December 2005. He was admitted as a member of the Hong Kong Institute of Certified Public Accountants in January 2012 and is currently a practising member.

SENIOR MANAGEMENT

Vice general manager and financial controller

Ms. Chen Shenmao (陳申茂), aged 40, is the vice general manager and financial controller of our Group and primarily responsible for supervising finance, administration and human resources functions of WellCell Technology and WellCell Intelligent.

Ms. Chen has over 16 years of experience in the accounting and financing field. She started her career in AAFUD Industry (Zhuahai) Co., Ltd* (珠海雅富興源食品工業有限公司) (formerly known as Zhuhai Special Economic Zone Kanglong Xingyuan Food Industry Co., Limited* (珠海經濟特區康龍興源食品工業有限公司)) in July 2005 and left as an accounting supervisor of the Finance Department in February 2009. From February 2009 to July 2012, she worked as a finance manager in Zhuhai Heyi Decoration Engineering Co., Limited* (珠海市合藝裝飾工程有限公司) where she was primarily responsible for accounting and tax filing. She then served as a finance manager in Zhuhai Jindian Cinema Co., Limited* (珠海今典影院有限公司) from December 2012 to May 2015, where she was responsible for the overall accounting and tax operation management. In March 2016, she joined our Group as a finance manager of WellCell Technology and has been the vice general manager and a director of WellCell Technology since November 2018.

Ms. Chen Shenmao obtained a Diploma in Computerised Accounting from the Hunan Economic Management Cadre Institute* (湖南經濟管理幹部學院) in the PRC in June 2003 and a Bachelor's Degree in Accounting from the Hunan University (湖南大學) in the PRC in June 2008. Ms. Chen was recognised as an Intermediate Accountant (中級會計師) and a Senior Accountant (高級會計師) by the Guangdong Human Resources and Social Security Bureau* (廣東人力資源與社會保障廳) in May 2010 and May 2020, respectively. She was awarded a Certificate of Zhuhai Industrial Young Talent (珠海市產業青年優秀人才證書) by the Zhuhai Human Resource Leading Group Office (珠海市人才工作領導小組辦公室) in December 2020. She was elected as a representative of 10th People's Congress of Xiangzhou District, Zhuhai, Guangdong Province ("Xiangzhou People's Congress") in October 2021 and was appointed as a member of the Meihua Sub-district Work Committee of Xiangzhou People's Congress in April 2022.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Vice general manager

Mr. Yao Min (姚敏), aged 37, is the vice general manager of WellCell Technology and primarily responsible for overseeing the business of the central region of the PRC.

Mr. Yao has over 13 years of experience in the network computing and telecommunications industry. He joined our Group in April 2008 as a telecommunication network optimisation engineer and subsequently worked as a project manager for the business of the central region from April 2010 to April 2012, a regional manager for the business of the central region from May 2012 to November 2018, an employee supervisor of WellCell Technology from April 2016 to September 2018, and a vice general manager of WellCell Technology and general manager responsible for the business of the central region of the PRC since November 2018.

Mr. Yao Min obtained a Diploma in Software Technology from the Guangdong Vocational College of Science and Technology* (廣東科學技術職業學院) in the PRC in June 2008. He was awarded a Certificate of Zhuhai Industrial Young Talent (珠海市產業青年優秀人才證書) by the Zhuhai Human Resource Leading Group Office (珠海市人才工作領導小組辦公室) in December 2020.

Supervisor and regional manager

Mr. Xu Shengjian (徐聖堅), aged 40, is the supervisor and regional manager of WellCell Technology and primarily responsible for the business of the Hunan Province of the PRC.

Mr. Xu has over 13 years of experience in the network computing and telecommunication industry. He joined our Group in March 2008 as a manager of the Beijing office of WellCell Technology and worked as a manager of the Engineering Department of WellCell Technology from January 2011 to December 2014. Mr. Xu was the chairman of the supervisory board of WellCell Technology from April 2016 to September 2018, and has been a regional manager and supervisor of WellCell Technology since March 2015 and September 2018, respectively.

Mr. Xu Shengjian obtained a Bachelor's Degree in Compute Science and Technology from the Beijing Normal University (Zhuhai Campus) (北京師範大學(珠海校區)) in the PRC in July 2006.

COMPANY SECRETARY

Mr. Yiu Chun Wing (姚俊榮) (formerly known as Yiu Ka Wai (姚家煒)), aged 42, is our Company Secretary, primarily responsible for financial reporting, financial planning, financial control and the overall secretarial matters of our Group. He joined our group in July 2021.

Mr. Yiu has over 15 years of experience in auditing, accounting and financial management. Prior to joining our Group, he had been a semi-senior auditor at Lau Leigh Choi Consultants Limited from August 2004 to October 2005, an accountant at HLB Hodgson Impey Cheng from November 2005 to December 2007 where his last position was a senior accountant, and a deputy assistant audit manager of ZYCPA Company Limited from August 2008 to December 2010. He later worked successively as an audit supervising senior and an audit supervisor at Moore Stephens Associates Limited from December 2010 to November 2012. In February 2014, he was a senior officer of the Accounts and Finance Department of Promise (Hong Kong) Co., Limited until April 2015, when he then immediately took up the role of financial controller and company secretary of Zhejiang United Investment Holdings Group Limited (formerly known as Fraser Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 8366) until June 2017. He then joined Ming Kee Cargo Company Limited from July 2017 to November 2017 and Unite Intelligence Control Limited from February 2018 to July 2018, both as the financial controller. He was an independent non-executive Director of B&D Strategic Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1780) from April 2019 to January 2020. From November 2018 to June 2021, he was the financial controller and company secretary of Tin Shing Group Holdings Limited. He has been an independent non-executive director of China Wah Yan Healthcare Limited, a company listed on the Main Board of the Stock Exchange (stock code: 648) since December 2022.

Mr. Yiu obtained a Bachelor of Business Administration Degree in Accounting from the Hong Kong University of Science and Technology in November 2004. He was admitted as a certified public accountant of the Hong Kong Institute of Certified Public Accountants in May 2010.

CORPORATE GOVERNANCE REPORT

The board (the "**Board**") of directors (the "**Directors**") of WellCell Holdings Co., Limited (the "**Company**") is committed to developing and maintaining robust corporate governance and effective internal control system for the Company and its subsidiaries (collectively as the "**Group**"), which are essential to enhancing corporate value and accountability, formulating business strategies, managing sustainable operation, enhancing transparency and safeguarding shareholders' interests.

The Directors have adopted various policies to ensure compliance with the code provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") so as to having effective application of the principles of good corporate governance. During the Reporting Period, the Company has complied with the code provisions of the CG Code except for the following deviations:

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

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

None of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director and chief executive.

Furthermore, we are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders as a whole. Our Directors are aware that upon Listing, we are expected to comply with such code provisions. Any such deviation shall however be carefully considered, and the reasons for such deviation shall be given in our interim report and annual report in respect of the relevant period. Save as disclosed above, we will comply with the code provisions set out in the CG Code after Listing. The Board will also regularly review the contribution required from a Director to perform his/her responsibilities to the Company and ensure each Director can devote sufficient time and attention to the Company's affairs.

RESPONSIBILITIES

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated to the senior management of the Group the authority and responsibility for day-to-day management and operation of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees which include the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") (together, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

DIRECTORS' SECURITIES TRANSACTIONS

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

The Group has made specific enquiries of all the Directors and they have confirmed that they have been complying with the required standard and the related code of conduct regarding Directors' securities transactions.

As far as the Group is aware, the Directors and senior management of the Group have not breached the required standard and the code of conduct regarding Directors' securities transactions since the date of the Listing and up to the date of this annual report.

BOARD OF DIRECTORS

Composition of the Board

The Company has complied with rules 3.10(1) and 3.10A of the Listing Rules since the date of the Listing and up to the date of this annual report. The Board comprises seven Directors, including three Executive Directors, one Non-executive Director and three Independent Non-executive Directors. The composition of the Board is set out as follow:

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

Non-executive Director:
Mr. Lin Qihao

Independent Non-executive Directors
Mr. Wu Wing Kuen, *B.B.S.*
Mr. Leung Kwong Sak
Mr. Yu Chi Wing

Our Directors have a balanced mix of experiences, including information technology and telecommunication, electronic technology, computer science and engineering, corporate management and governance, advisory, accounting, taxation and auditing. Furthermore, the ages of our Directors range from 39 years old to 68 years old. We will take steps to promote gender diversity at all levels of our Company, including but without limitation at the Board and senior management levels. While we recognise that gender diversity at the Board level can be improved given its current composition of a majority of male Directors, we will continue to apply the principle of appointments based on merits with reference to our Board Diversity Policy as a whole.

As at the date of this annual report, one out of seven of our Directors is female. Pursuant to the objectives of our Board Diversity Policy, we will give preference to female candidates in the succession planning of Directors. As female representation in senior roles throughout the telecommunication industry and the pool of qualified females keeps growing, we expect to have more female members who would be qualified to sit on our Board in the future.

As stated in the previous paragraph, the Board currently has one female Director and as such has achieved gender diversity in respect of the Board. We will continue to strive to enhance female representation and achieve an appropriate balance of gender diversity with reference to the Shareholders' expectation and international and local recommended best practices. We will also ensure that there is gender diversity when recruiting staff at mid to senior level and we are committed to providing career development opportunities for female staff so that we will have a pipeline of female senior management and potential successors to our Board in near future.

As at 31 December 2023, as set out in the section headed "7. Our Commitment to Our People — D. Employees Data" in the ESG Report contained in this annual report, among the 121 employees (including senior management) of the Group, the percentages of male employees and female employees are 72.7% and 27.3%, respectively. The Board considers that the Group's workforce (including senior management) is diverse in terms of gender.

All the Directors do not have any financial, business, family or other material/relevant relationship with each other.

The biographical details of each of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

CORPORATE CULTURE

The Board has laid down the Group's purposes, values and strategy and has ensured that they aligned with the Group's culture. The Group will continue to adopt a cautious approach in exploring potential investments and business opportunities to achieve sustainable growth and to deliver attractive and sustainable returns to the Shareholders.

Among the Company's core values, the Group places strong emphasis on employee relations and the culture of ethical conduct and integrity by instilling the element of integrity into every aspect of our businesses. Our Directors, management and staff are required to act lawfully, ethically and responsibly, which are part and parcel of the Company's culture. In promoting and maintaining this culture, relevant trainings are conducted from time to time to strengthen the requisite standards and the norms in respect of ethics and integrity of our business. This culture of integrity has also been stated in the Employee Handbook and embedded in various policies such as the Anti-Corruption Policy and the Whistleblowing Policy. A healthy corporate culture is important to good corporate governance which is crucial for achieving sustainable long-term success of the Group.

ANTI-CORRUPTION POLICY

The Company is committed to observing and upholding high standards of business integrity, honesty, fairness, impartiality, and transparency in its business dealings.

With such commitment in mind, the Company has established and adopted an Anti-Corruption Policy to strengthen the standards of conduct of its Directors and employees and to ensure that our Directors and employees adhere to high standard of business ethics and comply with the applicable laws and regulations of the jurisdictions in which the Group operates. This Policy outlines the Group's expectation on maintaining high standards of ethics and integrity, and the framework on prevention, detection, treatment and reporting of any suspected fraud, corruption and irregularities.

The Group conducts periodic internal monitoring and assessments on bribery and corruption risks to ensure bribery and corrupt activities are prevented.

Continuous Professional Development of Directors

The Company is responsible for arranging and funding suitable training for the Directors. Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant. The Directors confirmed that they have complied with code provision C.1.4 under part 2 of the CG Code on directors' training and all Directors have participated in appropriate continuous professional development to develop and refresh their knowledge and skills. Prior to the Listing, all the Directors attended training session conducted by the Company's legal adviser on directors' duties, responsibilities and obligations under the Listing Rules, SFO and other relevant laws and regulations.

During the period from the date of the Listing and up to the date of this annual report, the Directors have also participated in the following professional development activities:

Name of Directors	Continuing Professional Development Involved (Note)
Executive Directors	
Mr. Jia Zhengyi *(Chairman)*	(a) & (b)
Ms. Liu Ping	(a) & (b)
Mr. Cong Bin	(a) & (b)
Non-executive Director	
Mr. Lin Qihao	(a) & (b)
Independent Non-executive Directors	
Mr. Wu Wing Kuen, *B.B.S.*	(a) & (b)
Dr. Leung Kwong Sak	(a) & (b)
Mr. Yu Chi Wing	(a) & (b)

Notes:

(a) Participating in the training offered by compliance advisor and related to the Company's business

(b) Reading materials on a variety of topics, including corporate governance issues, Directors' duties, Listing Rules and other relevant laws

Board and General Meetings

The Board shall meet regularly to discuss the overall strategy as well as the operation and financial performance of the Group, in addition to the meetings for reviewing and approving the Group's annual and interim results. Four regular Board meetings should be held in each year at approximately quarterly intervals. Directors may participate in meetings either in person or through electronic means of communication. All Directors are given not less than fourteen days' notice for regular Board meetings. For other Board and Board committee meetings, reasonable notice will be given.

CORPORATE GOVERNANCE REPORT

As the Company was listed on the Main Board of the Stock Exchange on 12 January 2024, during the Reporting Period, we did not hold any Board meetings or Board committee meetings. Hence, there was no attendance record of the Directors available during the Reporting Period. Nevertheless, the Board has been in regular communication upon the Company's Listing and, going forward, will continue to meet regularly to update themselves the Company's affairs. No general meeting was held during the year ended 31 December 2023. On 26 March 2024, a Board meeting was held to approve, among others, the annual results of the Group for the year ended 31 December 2023 and to review the operation and compliance matters of the Company. All the Directors attended the Board meeting on 26 March 2024.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board at all times meets the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that they are independent.

BOARD COMMITTEES

The Board has established a number of functional committees in compliance with the relevant Listing Rules and to assist the Board to discharge its duties. Currently, three committees have been established. An audit committee ("**Audit Committee**") has been established on 15 December 2023 with its terms of reference in compliance with Rules paragraphs D3.3 and D3.7 of Part 2 of the CG Code; a remuneration committee ("**Remuneration Committee**") has been established on 15 December 2023 with its terms of reference in compliance with paragraph E.1.2 of Part 2 of the CG Code; and a nomination committee ("**Nomination Committee**") has been established on 15 December 2023 with terms of reference a compliance with paragraph B.3.1 Part 2 of the CG Code. The functions and responsibilities of these Committees have been set out in the relevant terms of reference which are of no less stringent than that stated in the Code. The relevant terms of reference of each of the three Committees can be found on the Group's website (www.wellcell.com.cn) and the website of the Stock Exchange. All Committees have been provided with sufficient resources and support from the Group to discharge their duties.

AUDIT COMMITTEE

We established the Audit Committee on 15 December 2023 with written terms of reference in compliance with paragraphs D.3.3 and D.3.7 of Part 2 of the CG Code. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process and internal control system of our Group. The Audit Committee comprises three members, namely Mr. Wu Wing Kuen, Dr. Leung Kwong Sak and Mr. Yu Chi Wing. Mr. Yu Chi Wing is the chairman of the Audit Committee.

The major roles and functions of the Audit Committee are set out in its terms of reference which include duties specified in the CG Code and are posted on the websites of the Stock Exchange and the Company.

The main duties of the Audit Committee are to (i) to act as the key representative body for overseeing the Company's relations with the external auditor, and be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to consider any questions of its resignation or dismissal; review the financial statements and reports and consider any significant or unusual items raised by the employee, internal control consultants and external auditors; (ii) to review and monitor the integrity of the Company's financial statements and the annual, interim financial reports and accounts, and if prepared for publication, quarterly reports, preliminary results announcements and any other announcement relating to its financial performance, and to review significant financial reporting judgements contained in them prior to submission to and approval by the Board, with particular focus on ; and (iii) Oversee the Company's financial reporting system, risk management and internal control systems.

As the shares of the Company were listed on the Main Board of the Stock Exchange on 12 January 2024, no Audit Committee meeting was held during the Reporting Period. From the Listing Date and up to the date of this annual report, the Audit Committee held one meetings, during which the Audit Committee reviewed, among other things, the annual result announcement of the Group for the year ended 31 December 2023 and believes that the Company has complied with all applicable accounting standards and regulations and made sufficient disclosures. The Audit Committee has reviewed all material internal control rules, including the financial and operational and compliance controls, as well as risk management of the Group in 2023. The Audit Committee is satisfied with the effectiveness and sufficiency of the internal control mechanism in its operations.

The Audit Committee has reviewed the remuneration of the auditors for 2023 and recommended the Board to re-appoint PricewaterhouseCoopers, as the external auditor of the Company for 2024, subject to the approval of Shareholders at the forthcoming AGM. The following is the attendance of each member during such time:

Name of Directors	**Attendance/Number of meetings**
Mr. Wu Wing Kuen, *B.B.S.*	1/1
Dr. Leung Kwong Sak	1/1
Mr. Yu Chi Wing *(Chairperson)*	1/1

The Company Secretary is also the company secretary of the Audit Committee and is responsible for maintaining full set of minutes of the Audit Committee which are open for inspection at any reasonable time on reasonable notice by any of our Director.

REMUNERATION COMMITTEE

We established the Remuneration Committee on 15 December 2023 with written terms of reference in compliance with paragraph E.1.2 of Part 2 of the CG Code. The Remuneration Committee comprises three members, namely Mr. Wu Wing Kuen, Dr. Leung Kwong Sak and Mr. Yu Chi Wing. Mr. Yu Chi Wing is the chairman of the Remuneration Committee.

The major roles and functions of the Remuneration Committee are set out in its terms of reference which include duties specified in the CG Code and are posted on the websites of the Stock Exchange and the Company.

The main duties of the Remuneration Committee are to (a) make recommendations to the Board on the Company's policy and structure for the remuneration of all the Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing a remuneration policy; (b) consult the Chairman of the Board and/or the Chief Executive Officer of the Company (where applicable) about their remuneration proposals for other Executive Directors. The Committee have access to independent professional advice if necessary; (c) review and approve the senior management's remuneration proposals with reference to the Board's corporate goals and objectives;

As the shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on 12 January 2024, no Remuneration Committee meeting was held during the Reporting Period. From the Listing Date and up to the date of this annual report, the Remuneration Committee held one meeting, during which the Remuneration Committee reviewed, among other things, the remuneration policy and structure of the Company, the remuneration packages of Directors and senior management and other related matters of the Company. The following is the attendance of each member during such time:

Name of Directors	**Attendance/Number of meetings**
Mr. Wu Wing Kuen, *B.B.S.*	1/1
Dr. Leung Kwong Sak	1/1
Mr. Yu Chi Wing *(Chairperson)*	1/1

NOMINATION COMMITTEE

We established the Nomination Committee on 15 December 2023 with written terms of reference in compliance with paragraph B.3.1 Part 2 of the CG Code. The Nomination Committee comprises three members, namely Mr. Wu Wing Kuen, Dr. Leung Kwong Sak and Mr. Yu Chi Wing. Mr. Yu Chi Wing, is the chairman of the Nomination Committee.

The major roles and functions of the Nomination Committee are set out in its terms of reference which include duties specified in the CG Code and are posted on the websites of the Stock Exchange and the Company.

The main duties of the Nomination Committee are to (i) review the structure, size and composition of the Board; (ii) make recommendations to the Board regarding any proposed change and to identify individual suitably qualified to become the Board members; (iii) assess the independence of Independent Non-executive Directors; and (iv) make recommendations to the Board on relevant matters relating to the appointment of Directors and succession plan for Directors.

As the shares of the Company were listed on the Main Board of the Stock Exchange on 12 January 2024, no Nomination Committee meeting was held during the Reporting Period. From the Listing Date and up to the date of this annual report, the Nomination Committee held one meeting, during which the Nomination Committee reviewed, among other things, the structure, number, composition and diversity of the Board, assessed the independence of the independent non-executive Directors to determine their eligibility and discussed the re-appointment of Directors and succession planning for Directors.

The following is the attendance of each member of the Committee during such time:

Name of Directors	Attendance/Number of meetings
Mr. Wu Wing Kuen, *B.B.S.*	1/1
Dr. Leung Kwong Sak	1/1
Mr. Yu Chi Wing *(Chairperson)*	1/1

AUDITOR'S STATEMENT AND REMUNERATION

A statement by the Group's auditors on their reporting obligations in respect of the Group's financial statements for the year ended 31 December 2023 is set out in the "Report of the Independent Auditor" section of this annual report.

An analysis of the remuneration of the external auditor of the Company for the year ended 31 December 2023 is set out below:

Services rendered	Fees paid/payable (RMB'000)
Statutory audit services	1,800

COMPANY SECRETARY

Mr. Yiu Chun Wing ("**Mr. Yiu**") (formerly known as Yiu Ka Wai) was appointed as the Company Secretary of our Company and he joined our Group in July 2021. Please refer to the section "Biographical details of Directors and Senior Management" for his biographical information.

During the Reporting Period, Mr. Yiu has undertaken not less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules. As the Company Secretary. Mr. Yiu has been reporting to the Chairman of the Board. All members of the Board can have access to his advice and services.

RISK MANAGEMENT AND INTERNAL CONTROLS FRAMEWORK

The Board acknowledges its responsibility for establishing and maintaining an effective and adequate risk management and internal control systems.

CORPORATE GOVERNANCE REPORT

The Board aims to minimize the risks rather than eliminate them entirely. Accordingly, the Board has a risk management system, including performance of a risk assessment for reviewing the key risk areas and determining appropriate risk mitigation strategies. The Group has also taken sufficient steps to identify, assess, update and monitor certain particular risks associated with its financial, operational and compliance activities.

The management of the Company has performed a risk assessment for identifying, evaluating, and prioritizing key risks of the Company, and designed and implement relevant internal controls taken into consideration of the risk appetite of the Company. The risk assessment is submitted to the Audit Committee for review in semi-annual basis. On a continuing basis, the Company has comprehended relevant policies and appointed relevant management for the execution of internal controls.

In addition to Board and oversight committees' meetings, the management of the Company has also provided all Directors with monthly update reports.

The Group does not have an internal audit department. The Group engages an independent professional internal control consultant firm (the "**Internal Control Consultant**") to review the key business process and internal control systems, policies and procedures from financial, operational and compliance aspect. The Internal Control Consultant conducts internal control reviews on an on-going basis and independently reports the findings and recommendations to the Audit Committee.

The Board and the Audit Committee have reviewed the need for an internal audit function and consider it more cost-effective to appoint external independent professionals to independently review and continuously evaluate the Group's internal monitoring systems and risk management systems, taking into account the size and nature of the Group. The Board will review the need for an internal audit function at least once a year. Overall, the Board and the Audit Committee consider that the risk management and internal control system of the Group are effective and adequate. The Board will continue to assess the effectiveness and adequacy of risk management and internal controls through consideration of the reviews and recommendations made by the Audit Committee, Senior Management and Internal Control consultant.

DIRECTORS' REMUNERATION

Details of the Directors' remuneration and the five highest paid individuals for the Reporting Period as required to be disclosed pursuant to the CG Code are provided in Notes to the Consolidated Financial Statements in this annual report.

The Company maintains an insurance policy for directors' and officers' liability for the year.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors are aware of their obligations to prepare consolidated financial statements for the financial year ended 31 December 2023, to reflect a true and fair financial position, results and cash flows of the Group for the year then ended, and the proper preparation of financial statements on an on-going basis in accordance with applicable statutory requirements and accounting standards. The Directors are not aware of any material uncertainties that may affect the business of the Group or raise significant questions about the Group's ability to operate on an on-going basis.

GENERAL MEETINGS WITH SHAREHOLDERS

The annual general meeting ("**AGM**") is a forum in which the Board and the shareholders communicate directly and exchange views concerning the affairs and overall performance of the Group, and its future developments, etc. At the AGM, the Directors (including INEDs) are available to attend to questions raised by the shareholders. The external auditors of the Company is also invited to be present at the AGM to address to queries of the shareholders concerning the audit procedures and the auditors' report.

The first AGM of the Company will be held on 26 June 2024, the notice of which shall be sent to the shareholders of the Company at least 21 clear days prior to the meeting.

DIVIDEND POLICY

The decision on whether to pay dividends will be made at the discretion of our Directors and will depend primarily upon the financial results, cash flow, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, any restrictions on payment of dividends, and other factors that our Directors may consider relevant. We do not have a predetermined dividend payout ratio. We will evaluate our dividend policy in light of our financial condition and the prevailing economic environment.

SHAREHOLDERS' RIGHTS

The Board and management are committed to meeting and communicating with the shareholders through the annual general meetings of the Company, listening to shareholders' opinions and answering questions from shareholders about the Group and its business. The chairperson of the Board, the Directors and senior management will attend the annual general meetings of the Company to answer questions from the shareholders. Notice of an annual general meeting will be sent to the shareholders at least 21 clear days before the holding of the annual general meeting.

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings (the "**Requisitionists**"). Such requisition shall be made in writing to the Board or the Company 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 two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR

Relations

The Company considers that effective communication with the Shareholders is essential in enhancing investor relations and investor understanding of the Group's business performance and strategies, hence a Shareholders Communication Policy has been adopted.

As stated in this Policy, the Company has established the following channels of communication with its Shareholders:

- Corporate communications such as annual and interim reports, announcements and circulars are issued in printed form and are available on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.wellcell.com.cn;

- The Company's website information will be updated from time to time to inform the Shareholders and investors of the latest development of the Company;

CORPORATE GOVERNANCE REPORT

- The annual general meetings and extraordinary general meetings provide an opportunity for communication between the Shareholders and the Board; and

- The Shareholders may put forward their enquires to the Company's principal place of business in Hong Kong and to Boardroom Share Registrars (HK) Limited, the Hong Kong branch share registrar and transfer office of the Company by post or by email.

The Board has reviewed the implementation and effectiveness of this Policy and concluded that it is effective taking into account the fact that the Company has established a number of channels to facilitate the communication with the Shareholders.

Significant Changes in Constitutional Documents

There had been no change in the constitutional documents of the Company since the date of the Listing and for the period up to the date of the annual report.

INSIDE INFORMATION

We have put in place appropriate internal control procedures and guidelines to avoid improper handling of inside information which may constitute insider trading or breach of any other statutory duty. At any time, access to inside information is limited to the relevant personnel (i.e. the Directors, senior management and relevant employees of the Company) and as the situation requires until it is disclosed or released in accordance with applicable laws and regulations. Directors, senior management and relevant employees of the Company who are in possession of potential inside information and/or inside information are required to take reasonable steps to ensure that adequate safeguards are in place to ensure the strict confidentiality of inside information and that recipients understand their responsibility to keep the information confidential.

WHISTLEBLOWING POLICY

The Company has adopted a Whistleblowing Policy to facilitate the achieving of high standards of openness, probity, and accountability. This Policy creates a system for a Director, an employee or a third party (who includes customers, suppliers, subcontractors) to report to the Group any suspected fraud, malpractice, misconduct, or irregularity. A Director, an employee or a third party who has legitimate concern can report to the Group by mail or email or by attending the Group's office. The Group will endeavor to protect the whistleblower from detriments and all reports will be kept confidential.

During the year ended 31 December 2023 and for the period up to the date of this annual report, no incident of fraud or misconduct that has material effect on the Group's financial statements and overall operations has been reported. The Audit Committee of the Company will continue to review this Policy periodically to ensure its effectiveness.

CONCLUSION

The Company believes that good corporate governance could ensure an effective distribution of the resources and shareholders' interests. The senior management will continue endeavors in maintaining, enhancing and increasing the Group's corporate governance level and quality.

DIRECTORS' REPORT

The Board is pleased to present the first annual report together with the audited consolidated financial statements for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in providing telecommunication network support services, information and communication technology integration services and telecommunication network-related software development services to the customers.

RESULT AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 73.

The Board did not recommend payment of final dividend to shareholders of the Company for the Reporting Period.

GROUP FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years are set out on page 133.

PROPERTY, PLANT AND EQUIPMENT

Details of movements of the property, plant and equipment of the Group during the Reporting Period are set out in note 13 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2023 and details of the acquisition of subsidiaries during the Reporting Period are set out in note 1.2 to the consolidated financial statements.

SHARE CAPITAL

Details of movements of the share capital of the Company during the Reporting Period are set out in note 30(b) to the consolidated financial statements.

EMOLUMENT POLICY FOR DIRECTORS

A Remuneration Committee has been set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group. The remunerations of the Directors are determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each Director as well as their individual performance.

DIRECTORS' REPORT

RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out on page 76.

As at 31 December 2023, the Company's reserves available for distribution amounted to approximately RMB0.7 million (2022: RMB0.7 million) as calculated based on the Company's retained earnings.

ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 26 June 2024.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from 21 June 2024 to 26 June 2024 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with Boardroom Share Registrars (HK) Limited at 2103B, 21/F., 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on 20 June 2024.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme upon passing the written resolutions of our shareholders on 15 December 2023 (the "**Share Option Scheme**"). Pursuant to the Share Option Scheme, our Directors may grant options to eligible participants to subscribe for the Shares subject to the terms and conditions stipulated therein. Upon the listing of the Shares on SEHK on 12 January 2024 (the "**Listing Date**"), all conditions set forth have been satisfied.

The total number of shares of the Company which may be issued upon the exercise of all share options to be granted under the Share Option Scheme and other share option schemes must not, in aggregate, exceed 10% of the shares of the Company in issue as at the Listing Date (the "**Scheme Mandate Limit**") provided that options lapsed in accordance with the terms of the Share Option Scheme or other share option schemes will not be counted for the purpose of calculating the Scheme Mandate Limit.

The total number of shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being.

Eligible persons under the Share Option Scheme include (a) any employee (whether full-time or part-time including any) of our Company, any of our subsidiaries or any entity (the "**Invested Entity**") in which any member of the Group holds an equity interest; (b) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity; (c) any supplier of goods or services to any member of the Group or any Invested Entity; (d) any customer of any member of the Group or any Invested Entity; (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and (h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

A nominal consideration of HK$1 is payable by the grantee on acceptance of the grant of an option. The option may be exercised in whole or in part by the grantee giving notice in writing to the Company in such form as the Board may from time to time determine 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 for the full amount of the aggregate subscription price of the shares in respect of which the notice is given together with the reasonable administration fee specified by the Company from time to time. Within 28 days after receipt of the notice and the remittance, the Company shall allot and issue the relevant shares, credited as fully paid, and a share certificate for the relevant shares so allotted to the grantee.

The subscription price for the shares of the Company under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of shares of the Company as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a share of the Company.

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

Since the adoption of the Share Option Scheme, no option has been granted under the Share Option Scheme. Therefore, no option was exercised or cancelled or has lapsed during the year ended 31 December 2023 and there was no outstanding option as at 31 December 2023. Therefore the weighted average closing price of the shares immediately before the dates on which the options were exercised or vested pursuant to Rule 17.07(1)(d) of the Listing Rules is not available.

Pursuant to Rule 17.07(2) of the Listing Rules, the total number of share options available for grant under the Share Option Scheme as 31 December 2023 was 50,000,000.

Pursuant to Rule 17.09(3) of the Listing Rules, the total number of share options available for grant under the Share Option Scheme as at 31 December 2023 was 50,000,000 shares, representing approximately 10% of the 500,000,000 ordinary shares of the Company at issue as at 31 December, 2023, being the date of this annual report.

Pursuant to Rule 17.09(9) of the Listing Rules, as at 31 December, 2023, the remaining life of the Share Option Scheme is approximately 10 years.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reasons of their holding of securities in the Company.

DIRECTORS

The Directors during the Reporting Period and up to the date of this report were:

Executive Directors
Mr. Jia Zhengyi *(Chairman)* (appointed on 14 September 2021)
Ms. Liu Ping (appointed on 14 September 2021)
Mr. Cong Bin (appointed on 14 September 2021)

Non-Executive Directors
Mr. Lin Qihao (appointed on 14 September 2021)

Independent Non-executive Directors
Mr. Wu Wing Kuen, *B.B.S.* (appointed on 15 December 2023)
Dr. Leung Kwong Sak (appointed on 15 December 2023)
Mr. Yu Chi Wing (appointed on 15 December 2023)

The Directors' biographical details are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

Information regarding directors' emoluments is set out in note 28 to the consolidated financial statements.

In accordance with Article 108 of the Company's articles of association, Mr. Jia Zhengyi, Ms Liu Ping and Mr. Cong Bin shall retire by rotation at the forthcoming annual general meeting ("**2024 AGM**") and, being eligible, offers themselves for re-election.

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to the Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Company considers all of the Independent Non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACT AND LETTERS OF APPOINTMENT

All Executive Directors have entered into service agreements with the Company for a term of three years commencing from 12 January 2024 (the Listing Date). All of these service agreements may be terminated earlier by no less than three months written notice served by either party on the other.

Each of the Non-executive Director and Independent Non-executive Directors has entered into a letter of appointment with Company for an initial term of service commencing from 12 January 2024 (the Listing Date) and shall continue thereafter subject to a maximum of three years unless terminated by either party giving not less than one month's notice in writing.

None of the Directors offering themselves for re-election at the 2024 AGM has an unexpired service contract with the Group within one year without payment of compensation (other than statutory compensation).

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

For details of the Directors and the five highest paid individuals for the year ended December 31, 2023, please refer to Note 9(b) and Note 28 to the consolidated financial statements of this annual report. The annual remuneration range (including share-based compensation) for Directors and senior management members for the year ended December 31, 2023 is as follows:

Remuneration range	Number of individuals
Nil – RMB1,000,000	7

DISCLOSURE OF INTERESTS

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

As of the date of this annual report, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive is taken or deemed to have under such provision of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, are as follows:

(i) Long Position in the Company's Shares

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

(ii) Long position in the shares of associated corporations

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

Notes:

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

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

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

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

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

Notes:

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

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

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

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

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

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

DIRECTORS' REPORT

MAJOR CUSTOMERS, SUBCONTRACTORS AND SUPPLIERS

The percentages of the Group's revenue, subcontracting charges and materials, supplies and other project costs attributable to major customers, subcontractors and suppliers are as follows:

	2023	2022
	%	%
Percentage of revenue:		
From the five largest customers	**45.4%**	51.0%
From the largest customer	**21.4%**	23.8%
Percentage of subcontracting charge:		
From the five largest subcontractors	**43.1%**	56.5%
From the largest subcontractors	**13.0%**	19.9%
Percentage of materials, supplies and other project costs:		
From the five largest suppliers	**69.8%**	79.7%
From the largest supplier	**33.0%**	61.4%

During the year ended 31 December 2023, none of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any interest in the Group's five largest suppliers as identified above.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

None of the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

No management contracts concerning the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2023 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

CONNECTED TRANSACTIONS

The Company had not entered into any connected transaction during the Reporting Period which is required to be disclosed under the Listing Rules. Related party transactions entered into by the Group during the Reporting period are disclosed in Note 26 to the consolidated financial statements.

INTERESTS IN COMPETING BUSINESS

None of the Controlling Shareholders nor substantial shareholders of the Company nor their respective associates (as defined in the Listing Rules) had held any position or had interest in any businesses or companies that were or might be materially competing with the business of the Group, or gave rise to any concern regarding conflict of interests during the Reporting Period.

In order to avoid any future competition between our Group and the Controlling Shareholders (as defined in the Listing Rules), WellCell Group Co., Limited, Shine Dynasty Limited, Cheer Partners Limited, Golden Concord Limited, Dazzling Power Limited, Diamond Skyline Limited, Mr. Jia Zhengyi, Mr. Lin Qihao, Mr. Fung Man Hon, Mr. Cong Bin and Ms. Chen Shenmao (each a "**Covenantor**" and collectively the "**Covenantors**") executed a Deed of Non-competition on 22 December 2023 in favour of our Company (for itself and as trustee for and on behalf of its subsidiaries).

Set out below is a summary of the principal undertakings and provisions under the Deed of Non-competition:

1. Non-competition

Each of the Covenantors shall irrevocably and unconditionally, jointly and severally, warrant and undertake that they will not, and will procure that its/his/her close associates (except any member of our Group) will not, either on its/his/her own account or in conjunction with or on behalf of any person, firm or company, joint venture or other contractual arrangement directly or indirectly, among other things, carry on, participate or be interested or engaged in or acquire or hold any right or interest (in each case whether as an investor, shareholder, principal, partner, director, employee, consultant, agent or otherwise and whether for profit, reward, interest or otherwise), or otherwise be involved in any business which is or may be in competition, whether directly or indirectly, with the business carried on or contemplated to be carried on by any member of our Group in the PRC or any place where our Group has conducted business as at the date of the Deed of Non-competition or may conduct business from time to time in the future (the "**Restricted Business**").

2. New Business Opportunity

Neither it/he/she nor any of its/his/her close associates currently carries out, participates in or is interested or engaging in, invests in, acquires or holds, directly or indirectly (in each case whether as a shareholder, director, partner, agent or otherwise and whether for profit, reward, interest or otherwise) or otherwise is involved in the Restricted Business other than through our Group.

For details of the Deed of Non-competition, please refer to the section headed "Relationship with our Controlling Shareholders" in the Prospectus of the Company dated 28 December 2023.

The Company has received an annual written declaration signed by each of the Controlling Shareholders declaring, inter alia, that he/she/it had complied with the Deed of Non-competition during the year ended 31 December 2023 and for the period up to the date of this annual report for disclosure in this annual report (the "**Annual Confirmation**").

The Independent Non-executive Directors have reviewed the Annual Confirmation and the implementation of the Deed of Non-competition during the year ended 31 December 2023 and for the period up to the date of this annual report and confirm that they are not aware of any non-compliance of the Deed of Non-competition by the Controlling Shareholders during the year ended 31 December 2023.

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

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

CORPORATE GOVERNANCE CODE

For the year ended 31 December 2023 and up to the date of this report, except for the deviation from CG Code (Part 2) provision C.2.1, the Company has complied with the applicable code provisions of the CG Code contained in Appendix C1 of the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

BUSINESS REVIEW

The business review of the Group are set out in the section headed "Management Discussion and Analysis" on pages 6 to 13 of this annual report.

SUBSEQUENT EVENTS

There is no other significant event which have taken place subsequent to the end of the Reporting Period.

SUFFICIENCY OF PUBLIC FLOAT

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in material respects with the applicable laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2023 and up to the date of this annual report, there is no material breach of or non-compliance with the applicable laws and regulations by the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimise its adverse environmental impact by saving electricity and encouraging recycle of office supplies and other materials.

The environment, social and governance report of the Company for the year ended 31 December 2023 and for the period up the date of this annual report containing the information required under Appendix C2 to the Rules Governing the Listing of Securities (the "**Listing Rules**") will be published on the website of the Company and the website of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in accordance with the provisions of the Listing Rules.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements has been entered into by the Company during the year ended 31 December 2023 or subsisted at the end of the year.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group acknowledges the importance to maintain good relationship with its employees and customers for the achievement of its short-term and long-term business objectives.

For the year ended 31 December 2023, there was no serious and material dispute between the Group and its employees, customers and suppliers.

USE OF PROCEEDS FROM THE LISTING

Details of the use of proceeds from the Listing is set out in the section headed "Management Discussion and Analysis — Use of Proceeds" of this annual report.

CHARITABLE DONATION

During the year ended 31 December 2023, the Group did not make any charitable donation (2022: Nil).

EVENTS AFTER THE REPORTING PERIOD

The Company has successfully listed on the Main Board of the Hong Kong Stock Exchange on 12 January 2024.

DIRECTORS' REPORT

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee consists of three members, namely Mr. Yu Chi Wing, Mr. Wu Wing Kuen and Dr. Leung Kwong Sak and Mr. Yu Chi Wing is the chairman of the Audit Committee. The Audit Committee has reviewed the consolidated financial statements of the Company for the year ended 31 December 2023.

AUDITORS

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

On behalf of the Board
WellCell Holdings Co., Limited
Jia Zhengyi
Chairman and Executive Director

Hong Kong, 19 April 2024

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Introduction

WellCell Holdings Co., Limited is a telecommunication network support and information and communication technology (ICT) integration services provider and software developer in the PRC. Our telecommunication network support services mainly include the provision of (i) wireless telecommunication network enhancement services, encompassing both routine and specific services for improving connectivity, quality and coverage of a telecommunication network and/or for troubleshooting telecommunication network issues for our customers; and (ii) telecommunication network infrastructure maintenance and engineering services, involving routine maintenance and emergency restoration of the operations of base stations, and provision of engineering and labour services in projects related to construction of telecommunication network infrastructure. Our ICT integration services mainly involve customising our customers' computer system design for providing business-specific systems along with equipment and material procurement and installation, integration of software and hardware and implementation. We also develop telecommunication network-related software for evaluation, enhancement and maintenance of wireless networks, both for our own use and for sale to our customers and provide software development services for our customers who look for customised software.

The various kinds of telecommunication network-related services provided by us are complementary to one another which enhance synergistic effects, diversify our revenue streams and solidify our relationship with our customers by offering them complementary services. Hence, a number of our customers are inclined to purchase more than one type of our services from us.

Reporting Principles

To comply with the requirements as set out in the Environmental, Social and Governance Reporting Guide in Appendix C2 of the Listing Rules on the Main Board of the Stock Exchange of Hong Kong (the "Stock Exchange"), WellCell and its subsidiaries (hereinafter referred to as "WellCell" or the "Group") hereby present its first Environmental, Social and Governance Report (the "Report") of the Group, which covers the period from 1 January 2023 to 31 December 2023 (the "Reporting Period").

The purpose of the Report is to identify and disclose the major issues of the Group in relation to the environment, social and governance ("ESG") as well as its key performance indicators to illustrate the comprehensive approach to the sustainable development and social responsibility of the Group so as to facilitate the stakeholders' understanding of the ESG performance of the Group. The Group has complied with the "comply or explain" provisions as set out in Part C of the ESG Reporting Guide and prepared the Report in accordance with the four reporting principles below:

- **Materiality:** This Report discloses and reports on the environmental, social and governance matters and issues when there is an opportunity for them to have a material impact on investors and other stakeholders. In order to understand the opinions of each stakeholder on the materiality of each of the Company's issues, this Report has carried out the materiality assessment, details of which can be found in the section headed "Materiality Assessment" of this Report.

- **Quantitative:** The relevant historical data disclosed in this Report is measurable so that the effectiveness of the Group's ESG policies and management systems can be assessed and verified. The quantitative information in the Report is accompanied by explanatory notes to enable performance to be compared with items such as prior years' performance, peers and industry standards.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- **Balance:** The Report presents an unbiased picture of the Group's performance during the Reporting Period, containing no selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.

- **Consistency:** The Report uses consistent disclosure statistics and will set out any changes in assumptions or calculations to ensure comparability.

Reporting Scope

This Report covers significant matters and key performance indicators on environmental management, social responsibility and governance of the Group's principal activities, namely (i) wireless telecommunication network enhancement services, and (ii) the telecommunication network support service in the PRC consisting of telecommunication network infrastructure maintenance and engineering services, and (iii) Information and communication technology (ICT) integration services provision and software development during the Reporting Period. Given that this is the first ESG report of the Group, quantitative KPIs are not included for this Reporting Period. WellCell believes that ESG will play an important role in the Group's development. In the future, WellCell will continue to improve the ESG data collection and reporting system and set up relevant key performance indicators, so as to gradually enhance the quality and comprehensiveness of the Report.

Feedbacks

The Group values the feedbacks from people of all walks of life. If you have any comments and suggestions on the Group's ESG performance, please contact us through the following means.

Company's website	www.wellcell.com.cn
Address	Room 2105, Building 2, Meixi Commercial Plaza, No. 168 Lvyou Road, Xiangzhou District, Zhuhai City, Guangdong Province, PRC

COMMUNICATION WITH STAKEHOLDERS

The Group attaches great importance to the communication with each stakeholder, have a better understanding of the issues of concern to each stakeholder and deepen its relationship with them through continuous communication and contact. During the communication process, the Group not only understands the concerns of internal and external stakeholders, but also obtains a holistic and balanced view of ESG issues. The following table sets out the Group's key stakeholders, communication channels and their areas of concern. The Group will continue to improve its communication mechanism with each stakeholder and respond to their expectations and demands as a basis for improving and refining its ESG strategy and planning.

Role of stakeholders	Issues of concern	Communication channels
	Internal	
Employees	• Health & safety • Career development and training • Employees' rights and benefits	• Staff appraisals and interviews • Regular internal meetings • Training activities and seminars • Internal circulars and emails
Potential investors and shareholders	• Investment returns • Information transparency • Sound risk management and corporate governance systems	• Annual reports and company announcements • Annual general meeting and shareholders' meetings • Company hotline and E-mail
	External	
Customers	• Quality of services and products • Customer services and after-sales services • Privacy protection and consumer interests	• Customer service hotline and E-mail • After-sales services
Government	• Compliant operation and corporate governance • Legal payment of taxes • Community construction	• Regional conferences and seminars • Policy communication • Regular visits
Suppliers	• Provider policies and transparency • Commercial integrity • Fair trade and timely payment	• Supplier survey • Tendering conference • Seminars
Community	• Environmental impacts • Public service activities and social welfare • Social responsibilities • Job opportunities & community development	• Volunteer services and welfare services • Charitable activities

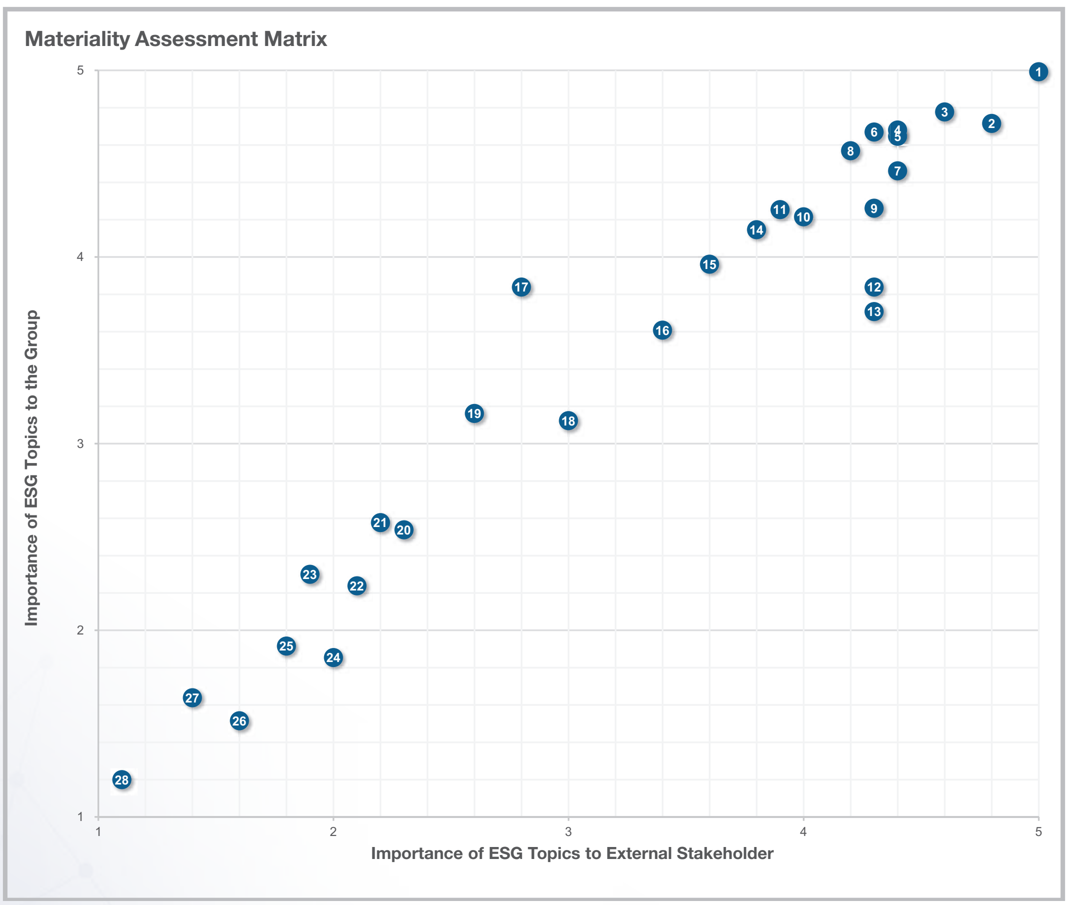
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

In order to provide a comprehensive assessment of the material issues in relation to the Group, key stakeholders were invited to participate in a qualitative survey, where each stakeholder ranked the ESG issues according to their importance to them. In order to identify each material issue, the Group has established the following 28 ESG issues for materiality assessment, by taking into account its internal strategies and development objectives, industry standards, relevant legislation and other factors. With reference to the results of the environmental, social and governance related questionnaire survey by stakeholders, we have ranked the issues according to the dimensions of "Importance to the Group" and "Importance to External Stakeholders" and mapped out a materiality matrix.

Materiality Matrix

The following is a materiality matrix and results identified by the Board after review during the Reporting Period:



The Group's material ESG issues are set out in the table below:

Item	ESG Issues	Item	ESG Issues
High Importance			
1	Occupational health and safety	6	Staff remuneration, benefits and rights (e.g. working hours, rest periods, working environment)
2	Prevention of child labour and forced labour	7	Environmental friendliness of purchased products and services
3	Number of concluded legal cases in relation to corrupt practices (e.g. bribery, extortion, fraud, and money laundering)	8	Compliance with and protection of intellectual property rights
4	Product health and safety	9	Staff diversity and equal opportunities
5	Customer information and privacy protection	10	Product and service labellings
Medium Importance			
11	Staff development, training and promotion	16	Marketing and promotion (e.g. advertisements)
12	Environmental risks (e.g. pollution) and social risks (e.g. monopoly) for suppliers	17	Anti-corruption policies and whistleblowing procedures
13	Promotion of local employment	18	Community support (e.g. donation, volunteer services)
14	Customer satisfaction	19	Anti-corruption training provided for Directors and staff
15	Supplier selection and monitoring	20	Use of materials (e.g. paper, packaging, raw materials)
General importance			
21	Water use	25	Hazardous waste generation
22	Energy use (e.g. electricity, gas, fuel)	26	Exhuast gas emissions
23	Measures in relation to environment and natural resources protection	27	Greenhouse gas emissions
24	Climate change	28	Non-hazardous waste generation

According to the Materiality Matrix, ESG issues in the social aspect are relatively important to stakeholders, and the first three issues of special focus for the year are "Occupational health and safety", "Prevention of child labour and forced labour" and "Number of concluded legal cases in relation to corrupt practices (e.g. bribery, extortion, fraud, and money laundering)". The above issues are the key drivers for the sustainable business development of the Group and will be further elaborated below. Relevant material issues are also assessed and reviewed annually to ensure relevance to the Company's needs and performance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

THE BOARD'S ESG GOVERNANCE

ESG is one of the issues to which the Group attaches great importance, and the Group believes that it is one of the key elements for the sustainability of WellCell. The Company is headed by an effective Board which assumes responsibilities for the leadership and monitor of the Company and shall be collectively responsible for promoting the success of the Company by directing and supervising its affairs, including overseeing environmental, social and governance matters. The Board is responsible for the development of strategies and visions related to ESG, while monitoring our actual performance and progress within the ESG scope, as well as considering related risks and opportunities. In order to better allocate resources in the development of the ESG management approach and strategy, the Board first considers, determines and prioritises the Group's sustainability concerns based on the materiality assessment, the materiality matrix and the feedback collected from its communication with various stakeholders.

Currently, the Group has formulated internal ESG-related processes such as the "Disclosure Policy on Environmental, Social and Governance", the "Business Sustainability Programme" and the "Policy Process for Identifying and Responding to Environmental Changes". The Board and senior management will review issues and policies related to the Group's sustainable development on an annual basis so as to make timely changes to the relevant policies and adjust the overall approach and strategy of the Group. For details of the Group's corporate governance system and overview, please refer to the section headed "Corporate Governance" in the Annual Report.

ENVIRONMENTAL PROTECTION

Climate change undoubtedly has a significant impact on the Company and society. The Group recognises that environmental and climate-related impacts and pressures can translate into a certain degree of economic loss that exceeds expectations. In line with international and governmental policies and directions on climate change, the Group has also formulated various policies, including but not limited to the "Environmental, Social and Governance Disclosure Related Policies", the "Business Sustainability Programme" and the "Policy Processes for Identifying and Responding to Environmental Changes". Meanwhile, the Group ensures compliance of business operations with relevant laws and regulations, including but not limited to the "Environmental Protection Law of the People's Republic of China", the "Atmospheric Pollution Prevention and Control Law of the People's Republic of China", the "Water Pollution Prevention and Control Law of People's Republic of China" and the "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes". Considering the nature of the Group's business, the impact on the environment is low and the major use of resources is mainly electricity used in the office. During the Reporting Period, the Group didn't have any material non-compliance with applicable laws and regulations relating to air emissions, greenhouse gas emissions ("GHG emissions"), discharges into water and land, and generation of non-hazardous waste.

Emissions

The Group attaches great importance to compliance with local laws and regulations in its business activities, including but not limited to the "Environmental Protection Law of the People's Republic of China", the "Atmospheric Pollution Prevention and Control Law of the People's Republic of China", the "the Administrative Measures for Pollutant Discharge Licensing (for Trial Implementation)", the "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes" and the "Law of the People's Republic of China on Environmental Impact Assessment". The Group's exhaust emissions and greenhouse gas emissions are mainly from vehicles and electricity usage, and the wastes are non-hazardous wastes generated from general office activities. The Group is not aware of any non-compliance or violations relating to emissions during the Reporting Period.

Given that this is the first ESG report of the Group, quantitative KPIs are not included for this Reporting Period. The Group will continue to monitor relevant performance, improve the ESG data collection and reporting system and set up relevant key performance indicators, gradually enhancing the quality and comprehensiveness of the ESG report.

Exhaust emissions

The main exhaust pollutants generated by the Group are nitrogen oxides ("NOx"), sulphur oxides ("SOx") and particulate matter ("PM"), all of which are emitted from vehicles. The Group's emission data for the Reporting Period are as follows:

Exhaust pollutants[1]	Unit	2022[2]	2023[3]	Percentage comparison
Nitrogen oxides (NOx)	kg	21.15	88.03	+316.22%
Sulphur oxides (SOx)	kg	0.13	1.36	+946.15%
Particulate matter (PM)	kg	1.85	6.74	+264.15%
Total emission of exhaust pollutants	**kg**	**23.13**	**96.13**	**+315.61%**

Notes:

1. The calculation of exhaust emissions has adopted the calculation methodology and emission factors set out in "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by The Stock Exchange.

2. In 2022, it includes mainly emissions from the use of self-owned vehicles, with no rented vehicles.

3. In 2023, it includes emissions from the use of self-owned and rented vehicles, of which three are electric vehicles. As electric vehicles do not emit exhaust pollutants, they are not included in the 2023 data.

As a result of the business expansion, total emissions of exhaust pollutants for the reporting period increased by 315.64% compared to 2022. The main source of the Group's exhaust emissions is the use of automobiles, which increased in the Reporting Period compared to 2022. As the Group's projects in various locations are becoming more long-term and stable, the Group has increased the rental of vehicles during the reporting period in order to support its daily work. The Group expects business volumes to remain at the same level as in the reporting period over the next few years and there is also a chance that the use of automobiles will be raised in response to the actual situation. The Group encourages employees to reduce unnecessary use of cars. In order to achieve the goal of reducing carbon emissions from urban transportation, the Group encourages employees to walk or use public transportation wherever practicable and within close proximity, and to use private cars and carpools to minimise non-essential driving.

Greenhouse gas emissions

Greenhouse gases are gaseous components that contribute to the greenhouse effect, and a significant increase in greenhouse gases leads to global warming. Considering the nature of the Group's business, the office-based operations do not involve significant greenhouse gas emissions. The direct greenhouse gas emissions in Scope 1 are mainly due to the combustion of fuels by vehicles, indirect greenhouse gas emissions in Scope 2 are mainly from electricity use, and other indirect greenhouse gas emissions in Scope 3 are mainly from waste paper and air travel.

The Group's greenhouse gas emissions data for the Reporting Period is as follows:

Greenhouse gas emissions[1]	**Unit**	**2022**	**2023**	**Percentage comparison**
Direct greenhouse gas emissions (Scope 1)	tonnes CO_2e	23.32	246.21	+955.79%
Indirect greenhouse gas emissions (Scope 2)	tonnes CO_2e	11.53	11.21	–2.78%
Other indirect greenhouse gas emissions (Scope 3)	tonnes CO_2e	12.55	18.63	+48.45%
— Waste paper disposed in landfills	tonnes CO_2e	2.13	3.76	+76.53%
— Business travels by airplane	tonnes CO_2e	10.42	14.87	+42.71%
Total greenhouse gas emissions	**tonnes CO_2e**	**47.40**	**276.05**	**+482.38%**
Greenhouse gas emission intensity[2]	**tonnes CO_2e/number of employees**	**0.33**	**2.28**	**+590.91%**

Notes:

1. The calculation of greenhouse gas emissions has adopted the calculation methodology and emission factors set out in "How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by The Stock Exchange.

2. The greenhouse gas emission intensity is calculated by the total greenhouse gas emissions divided by the number of employees, which was 121 in 2023 and 145 in 2022.

Total greenhouse gas emissions for the Reporting Period increased by 482.38% compared to 2022, but greenhouse gas emission intensity increased by 590.91% due to a decrease in the number of employees in 2023. The increase in greenhouse gas emissions in Scope 1 during the Reporting Period was mainly due to the increase in the use of automobiles, of which there was an increase of 955.79%. Meanwhile, other indirect greenhouse gas emissions in Scope 3 increased mainly due to the increase in the number of employees for business travels by airplane. As a result of business development, employees are required to carry out negotiation with more clients and hence the number of trips has increased, which is expected to rise in the future in line with actual demand.

Greenhouse gas emissions in Scope 2 of the Group are also the indirect emissions from the use of electricity. Due to the reduction in office space in Hengqin New District, the electricity used during the Reporting Period decreased by 2.78% compared to 2022. In order to minimise greenhouse gas emissions in line with the government's policy objectives, the Group has adopted a series of electricity saving measures for its employees to comply with:

- Encourage employees to turn off electronic devices that are not in use, set printers to energy-saving modes, and turn off air conditioning and lighting after office hours;
- Regular maintenance of equipment to ensure its efficiency and reduce energy consumption;
- Use energy-efficient lighting fixtures such as Light Emitting Diode (LED) lamps or integrated compact fluorescent lamps (CFLs);
- Maintain an average indoor temperature of our office between 24–26°C during summer time to reduce the power consumption of air-conditioners;
- Keep windows and doors closed when the air conditioner is on.

Waste

As the Group is mainly engaged in telecommunications network related work, no hazardous waste is generated during the provision of services and sales. The non-hazardous waste during the Reporting Period was general office waste, including waste paper and small amount of domestic garbage generated during office hours. The Group has implemented green management in office to achieve more efficient use of resources and reduction of waste, save energy and money, and help improve the working environment. The following are the waste reduction measures adopted by the Company:

- Reduce paper consumption through application of computer technology;
- Donate waste electrical and electronic equipments (e.g. computers, printers, etc.) that need to be disposed of to charitable organisations or send them to recyclers for disposal;
- Encourage employees to maximise the use of both sides of paper and reuse envelopes;
- Implement source separation of waste and set up recycling bins in offices.

The Group's non-hazardous waste data for the Reporting Period is as follows:

Non-hazardous waste[1]	**Unit**	**2022**	**2023**	**Percentage comparison**
Total amount of non-hazardous waste	tonnes	1.68	1.83	+8.93%
Non-hazardous waste intensity[2]	tonnes/number of employees	0.01	0.02	+100.00%

Notes:

1. The calculation of greenhouse gas emissions has adopted the calculation methodology and emission factors set out in "How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by The Stock Exchange.

2. The greenhouse gas emission intensity is calculated by the total greenhouse gas emissions divided by the number of employees, which was 121 in 2023 and 145 in 2022.

The Group will adhere to the above mentioned energy saving and emission reduction policies in future so as to reduce paper and energy consumption and gradually reduce the production of general office waste. Currently, waste does not have a significant impact on the Group, and considering the expansion of the business, the future target for waste is to maintain the increase at a reasonable level. If the significance increases in future, the Group will make disclosure and provide explanation after collecting and collating the data.

Use of Resources

Most of the resources on earth are finite, and the day they run out will make it difficult for humans to survive on earth. According to the Living Planet Report 2020 published by the World Wide Fund for Nature (WWF), the mankind has also been overdrawing the Earth's resources every year since 1970, and the ecological footprint has outpaced the rate at which the Earth's resources can be regenerated. The Global Footprint Network, citing the United Nations data, found that in 2023, it needs 1.7 Earths to support the world's population. With resources consuming at a faster rate, the human being will use up our available annual natural quota faster, which means that our annual overdraft date will come sooner, and the Earth Overshoot Day for 2023 has been moved up to 2 August.

The Group understands the relationship between resources and business operations, and therefore emphasises on cultivating the awareness of energy conservation among employees. In its operations, the Group also urges employees from various departments to work together to conserve energy in order to resist energy-wasting behaviours. Given the nature of the Group's business, the main resources utilised are fuel for the operation of vehicles, electricity supply for offices and water resources mainly for drinking by employees. As a result of the business expansion, the Group's total direct energy consumption increased as a result of higher automobile usage. The Group will ensure that the increase in related consumption is maintained at a reasonable level in future. Considering that the indirect energy usage is mainly for office electricity and the related usage is already very low, the Group will regularly monitor the usage in future with the goal of continuously limiting the usage and avoiding any significant increase.

The Group's total energy consumption data for the Reporting Period is as follows:

Types of energy[1]	Unit	2022	2023	Percentage comparison
Direct total energy consumption[2]	MWh	85.90	897.97	+945.37%
— Gasoline	MWh	71.03	883.77	+1144.22%
— Diesel	MWh	14.87	14.20	–4.51%
Indirect total energy consumption[3]	MWh	20.21	19.65	–2.77%
Total energy consumption	**MWh**	**106.11**	**917.62**	**+764.78%**
Total energy consumption intensity[4]	**MWh/number of employees**	**0.73**	**7.58**	**+936.31%**
Water consumption[5]	m^3	68.33	11.16	–83.67%
Water consumption intensity[6]	**m^3/number of employees**	**0.47**	**0.09**	**–80.43%**

Notes:

1. Resource consumption is collected in accordance with the "How to prepare an ESG Report –Appendix 2: Reporting Guidance on Environmental KPIs" issued by The Stock Exchange.

2. Direct energy consumption is the vehicle fuel, including gasoline and diesel.

3. Indirect energy consumption is the power supply for offices, with 2 office premises included in each of 2022 and 2023.

4. The increase in direct total energy consumption is attributed to the increase in vehicle usage during the Reporting Period.

5. The total energy consumption intensity is calculated by the total energy consumption divided by the number of employees, which was 121 in 2023 and 145 in 2022.

6. As the office premises do not have a separate water source, the water consumption is mainly calculated for drinking water and apportioned water consumption.

7. The water consumption intensity is calculated by the total water consumption divided by the number of employees, which was 121 in 2023 and 145 in 2022.

In addition to the fuel, the potable water is an extremely valuable natural resource. Less than 2.5% of the world's water resources are freshwater, and after excluding the unmelted icebergs in the North and South Poles, the actual freshwater resources available for us to drink account for less than 1% of the total amount of water on earth. With the increasing population and the rapid development of society, the global water consumption continues to rise, coupled with the impact of climate change, the shortage of water is becoming more and more obvious. Fortunately, due to the nature of the Group's business and the region in which it is located, there were no problems with searching for water sources during the Reporting Period. There is a decrease in water consumption of 83.67% compared to 2022 due to the reduction in office space and amortised costs in the Hengqin New District during the Reporting Period. At present, the Group's water consumption is already very low and does not have a significant impact on the environment, and therefore no consideration has been given to setting a water efficiency target for the use of water resources. However, the Group will ensure in future that water consumption will be maintained at the current low consumption level, while conserving water as much as possible. In addition to the energy saving and emission reduction measures mentioned above, the Group has adopted the following water saving measures to encourage employees to conserve water together:

- Remind employees to conserve water;
- Add water only when necessary;
- Use clean water for watering flowers instead of pouring out.

Due to the business nature, the Group's daily operations do not involve packaging materials.

The Environment and Natural Resources

In September 2020, China's President proposed "30 & 60 Goal" (30・60目標) at the General Assembly of the United Nations that China aims to reach the CO_2 emissions peak before 2030 and achieve carbon neutrality before 2060. Following the announcement of such goal, government departments have also actively proposed low-carbon transition policies, and the 14th Five-Year Plan also attaches great importance to energy, electricity and other climate change-related issues.

The Group has proactively echoed with national goals and policies, and as a service provider and software developer, we boast a minimal environmental impact and resource consumption level. During the Reporting Period, the Group was not aware of any significant impact on the environment. Meanwhile, the Group did not encounter problems with the use of natural resources such as water resources, land resources and energy. The Group has proposed internal policies in different areas, for details, please refer to the sections headed "Emissions" and "Use of Resources".

Climate Change

The climate change poses an immense challenge to the world today, and it concerns everyone. As part of the telecommunications services industry, the Group does not currently face significant problems with emissions and the use of natural resources. However, considering that climate change nowadays is a global challenge, it will require cooperation and efforts across borders, industries and generations. As a participant in non-carbon intensive sector, the Group itself has little incentive to address climate change. Nevertheless, we can propel other industries to accelerate the net-zero transition. As reported by the Global System for Mobile Communications, the mobile telecommunications industry accounts for only about 0.4% of global emissions, yet its technologies could enlarge the reduction by 10 times.

As advised by the Task Force on Climate-related Financial Disclosures, the main sources of risk from climate change are physical and transitional risks. The Group makes corresponding decisions in response to different risks and will continue to improve relevant policies and actions going forward. The risks identified by the Group during the Reporting Period and the solutions are as follows:

Category of Risk	Risks	Solutions
Physical risks	Acute risks of intensified extreme weather conditions, for instance, super typhoons, floods and extreme temperature differences, which will impact the Group's operations, supply chain, required transportation and employees' safety.	Given that the extreme weather has no significant impact on the Group's operations and supply chain so far, the aggravated situations in the future may affect our telecommunication network infrastructure maintenance and engineering services. Due to our services involve routine maintenance and emergency restoration of the operations of base stations and provision of engineering and labour services in projects related to construction of telecommunication network infrastructure, the Group will strike a balance between the safety of staffs and the provision of services to ensure the safety of staffs under extreme weather.
	Chronic risks arising from climate changes over time, for example, sustained high temperatures may cause sea level rise or continued hot weather.	In addition to the above consequences brought by acute risks, chronic risks may increase the frequency of strong typhoons and heavy rains, which may lead to property losses suffered by the customers, including collapse of tower, equipment, among others. We may also encounter power shortages, resulting in increased operating costs. Look forward, the Group will monitor the situation closely and actively explore countermeasures.

Category of Risk	Risks	Solutions
Transitional risks	Climate-related legislation and policies will be adapted to national guidelines. In line with the 30 & 60 Goal, the legal risk of adoption of energy efficiency requirements increases going forward.	There is a possibility that companies failed to meet national greenhouse gas targets set in the future will be imposed fines, with potential impacts on operating costs and product demand. The Group will summarise the impact and implementation status of current important regulations, and will periodically check changes in laws every year to formulate response plans in advance.
	The market is increasingly aware of climate-related risks and opportunities, and customers may demand low-carbon strategies to keep up with the trend.	Such risk may affect the supply and demand of goods, products and services, exacerbate the uncertainty of market information, and change the behavioral preferences of customers. The Group will regularly cultivate customer needs and create corresponding products according to the needs and requirements of customers.

SOCIETY

Employees

Employees are a valuable asset that underpins the Group's business success. Adhering to the core values of respect, professionalism and equality, the Group's corporate culture strives to empower its employees, treat them with dignity, and promote equal opportunities and multiculturalism. Based on a people-oriented philosophy, the Group is committed to creating a safe and healthy working environment that values teamwork, diversity and inclusion. The Group has prepared the Employee Manual (《員工手冊》), which outlines relevant requirements and standards in several aspects, including but not limited to employee recruitment, transfer and promotion, dismissal, training and education, wages and benefits, labour insurance, etc.

During the Reporting Period, the Group complied with labour-related laws and regulations, including but not limited to the Labour Law of the PRC (《中華人民共和國勞動法》), the Regulations on Labor Security Supervision (《勞動保障監察條例》) and the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》). The Group is not aware of any non-compliance with the relevant rules and regulations that has a material impact on the Group.

Policies on Employees' Compensation and Benefits

In order to attract and retain talents, the Group takes the characteristics and needs of the posts and positions into full account when it is hiring people, forbidding gender discrimination and promoting gender equality. In addition, for the protection and welfare of its employees, the Group tries its best to provide them with good protection and care, including competitive remuneration, equal and fair pay, a comfortable and safe work environment, and staff activities etc.

We provide social insurances for employees such as pension, medical care, unemployment and maternity insurance according to national and local provisions. We also contribute to the housing provident fund for our employees. Employees' health and safety are always the Group's first priority. All workers are required to comply with safety instructions and receive safety training on the use of equipment. We also maintain insurance coverage against personal injuries and accidents for employees in special positions.

The Group organises various cultural, sports and social activities for employees. Every year, we organise team-building for employees with outstanding performance. Tea parties celebrating staffs' birthday and afternoon tea activities are hosted from time to time, and gifts or presents are distributed on holiday occasions, including Dragon Boat Festival, Mid-Autumn Festival, Spring Festival and others. The Group provides benefits for working mothers in accordance with national regulations, such as paid maternity leave and breastfeeding leave during our female employees' pregnancy, childbirth, and breastfeeding periods.

We take the realisation of "internal equity" and "external competitiveness" as our fundamental principle. The Group establishes and improves its remuneration system through "three matchings", which refer to that the remuneration matches the value of the position, the remuneration matches the ability, and the remuneration matches the performance.

The remuneration of an individual will be determined with reference to the employee's personal qualifications, education background, length of service in relevant professional fields, actual years of experience and professional qualification. The salary scale is assessed according to the employee's position, responsibility and obligation, value and experience.

Equal Opportunity

A good working environment should be free of discrimination and should provide equal opportunities for all employees regardless of their age, gender, ethnicity, skin colour, sexual orientation, disability, or marital status. The Group adheres to the principle of openness, justice and fairness in recruitment and a unified principle without discrimination in employment standards and selection procedures. The Group takes the characteristics of the posts and positions into full account when hiring people and fights against gender discrimination. Those who have made significant contributions in daily work would be rewarded based on the reward & punishment measures for employees. Outstanding employees would be given priority when opportunities for promotion or improvement came up during annual employee appointment.

Employee Diversity

The Group cares about the diversity of its employees and constantly expands its recruitment channels (social recruitment, headhunting, internal and external referrals, etc.), aiming to maintain the diversity of its employee structure in such aspects as employee education, working background and specialties. The Group analyses the diversity of its current employee structure on a regular basis to provide guidance for the follow-up recruitment.

Anti-discrimination and Anti-harassment

The Group's labour and employment procedures are strictly aligned with national policies, requirements and standards on anti-discrimination and no discrimination against religion, ethnicity, race and gender is found in policies for recruitment and daily employment procedures. The Group also strictly adheres to and observes related institutional norms and ensures the execution is in place in various ways including regular reviews, random checks, feedback, notification, rectification and self-inspection in each subsidiary in daily work.

The Group has also set clear regulations to severely punish different kinds of discrimination and harassment behaviours in violation of the regulations and encouraged employees to report behaviours that were against the regulations or incidents harmful to the Group's interests. Employees may report related behaviours through various channels at any time. As phone numbers and emails of the Group's management and head of each department were open to employees, employees may report anonymously or in their real names at any time. Human resource and administrative personnel would collect employee opinions and suggestions in such ways as making questionnaire among all employees and doing individual interviews to gather related information from our employees. During this reporting year, the Group has not received any report on discrimination or harassment incidents. The Group would strictly deal with such reports in accordance with the laws and regulations once any reports were submitted.

Employment

All employees work full-time in the Group. The distribution of the workforce by gender, employee category, age and geographical region is as follows:

Category[1]	Unit	2022	2023	Percentage change
Gender				
— Male	No. of people	110	88	–20.00%
— Female	No. of people	35	33	–5.71%
Employee category				
— Senior management	No. of people	8	8	+0.00%
— Middle management	No. of people	42	35	–16.67%
— Frontline and other employees	No. of people	95	78	–17.89%
Age composition				
Aged under 30	No. of people	53	45	–15.09%
Aged 31–40	No. of people	77	56	–27.27%
Aged 41–50	No. of people	13	18	+38.46%
Aged 51 or above	No. of people	2	2	+0.00%
Geographical region				
— PRC	No. of people	143	119	–16.78%
— Hong Kong	No. of people	2	2	+0.00%

Note:

1. The statistical methodology adopted for reporting the above total number of employees was based on "How to Prepare an ESG Report — Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange.

Employee Turnover Rate

As of the end of 2023, the turnover rate of the Group was 44.36%. The employee turnover rates by (i) gender, (ii) age group, and (iii) geographic region are shown in the table below:

Category	Unit	2022	2023	Percentage change
Gender				
— Male	Percentage	52.73%	55.68%	+5.60%
— Female	Percentage	34.29%	30.30%	–11.62%
Age composition				
Aged under 30	Percentage	73.58%	37.78%	–48.66%
Aged 31–40	Percentage	36.36%	71.43%	+96.43%
Aged 41–50	Percentage	23.08%	5.56%	–75.93%
Aged 51 or above	Percentage	0.00%	50.00%	—
Geographical region				
— PRC	Percentage	48.95%	49.58%	+1.28%
— Hong Kong	Percentage	—	—	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Health and Safety

Fostering a positive health and safety culture has always been one of the Group's top priorities. A healthier workforce will elevate productivity and boost morale, ultimately creating a high-performing and flexible organisation. The Company has formulated and urged the implementation of safety production rules and regulations as well as safety technical operating procedures. The Group provides our employees a comfortable and safe work environment with well-equipped office hardware. The office building is spacious and clean with abundant ancillary resources including meeting rooms, resting areas and etc., which supported employees to achieve physical and mental health by ensuring their physical safety and psychological health.

Physical Safety

In order to guarantee the physical safety of employees, the Group operates around the principle of "Safety Comes First, Prevention is Crucial" and is governed by a set of policies and procedures, including but not limited to employee protection policies, emergency rescue procedures, hazard identification and risk control, and safety standardisation systems.

Based on the provisions of the safety standardisation system, the safety management department is responsible for implementing various types of safety inspections, safety education, safety risks, safety reviews, legislative compliance and emergency procedures. Periodical, professional, seasonal and regular safety inspections shall be conducted in our daily work to urge all grass-roots units to rectify problems involving hidden dangers and dust hazards, and to redress the problems of operation and command against rules. In the case of a particularly urgent and unsafe situation, such unit shall be entitled to issue order to cease the operation (or withdraw from the site) and immediately report to the leader for research and treatment. In order to enhance the occupational health and safety awareness of our employees, the Group regularly provides safety training to its employees. Additional training is provided to employees involved in potential occupational hazards to further reduce the risk of occupational hazards and prevent accidents at work, and regular medical check-ups are arranged for these employees.

The Group complies with relevant laws and regulations, including but not limited to the Law on the Prevention and Control of Occupational Diseases of the PRC (《中華人民共和國職業病防治法》) and the Law on Occupational Safety and Health (《職業安全衛生法》). Moreover, the Group is not aware of any violations of laws and regulations regarding employee health and safety. In the past three years, there has been no death or serious accident of employee and work days lost due to work-related injuries.

Mental Health

While supporting the physical health of employees, it is also crucial to promote the mental health of employees. The management pays close attention to the mental health of employees and has introduced a series of measures to maintain the mental resilience of employees.

One of the key measures is to advocate the concept of work-life balance. The Group endeavours to build a working environment and corporate culture featuring the optimal balance between the private and professional lives of its employees. In our business operations, the working hours, break time and holidays of employees are clearly stipulated in the Employee Manual to protect the legitimate rights and interests of employees, as well as their right to rest and leave.

Organising engaging activities for employees also serves as a way to bolster morale and team spirit, which will strengthen the relationship between managers and employees, as well as communication between employees of different seniority. Employees are able to connect with team members from other departments, which will promote inclusiveness and may spur creativity.

Development and Training

The Group highly emphasises employees' professional skill improvement, training and learning and encourages our staff to improve and upgrade their skills through training, so that they can fully utilise their specialty and potentials at different positions. The Group encourages individuals to combine their own specialty and hobbies with the Group's business development and proactively strive for opportunities. In addition, the Group also encourages employees to take internal job rotation and develop across functions. The Group has already set up a mature training and learning system including hierarchical and classified training and learning maps, matched with all sorts of training projects. The Group also has diversified resources and patterns to support employees' training and learning, such as online learning platform, internal training, external training and so on.

The Group ensures the pertinence and practicability when designing training plans. Every year, the Group combines with the need of business development and sets up corresponding learning projects according to different business sections, specialties, titles and levels, job categories so as to make sure employees of various positions can obtain corresponding training and learning opportunities and resources according to their job types. Every year, the Group formulates annual training plans according to the need of businesses and employees and reviews the plans on regular basis to make proper adjustments in order to ensure learning arrangements conform with the need of business and employee development.

In the annual training plan, the Group will formulate exclusive internal and external learning plans and opportunities aiming at the present status and business challenges faced by middle-level and senior management so as to make sure middle level and senior management are provided with rich learning opportunities. For all the internal training projects, the Group conducts research before training and makes evaluation after training, listens to opinions and suggestions of attendants about learning arrangements, meanwhile makes relevant adjustments to the arrangements based on the results and outcomes of training. The Group's training plan, notices about detailed training programs and reports after training will be informed to employees timely via a variety of channels.

On 26 June 2023, the Group organised training activities to ramp up production safety. For the better development of the Company and the better growth of employees, the Group made special instructions on "production safety matters" in its daily work and business process, and conscientiously achieved "Safety Comes First, Prevention is Crucial". The safety awareness of all employees was beefed up through these trainings.

On 14 July 2023, the Group launched an online communication and promotion activity themed "Python Meets Network Optimisation" (Python遇到網優), thereby the Group could strengthen the skills and comprehensive quality of all employees.

During the Reporting Period, all full-time employees received trainings. The distribution of employees trained by gender and category is as follows:

	Employees trained (%)			Average training hours[2]		
Category[1]	2022	2023	Percentage change	2022	2023	Percentage change
The percentage of employees trained	**91.03%**	**85.12%**	**–6.49%**	**2.93**	**1.70**	**–41.92%**
Gender						
— Male	79.55%	77.67%	–2.36%	2.97	1.63	–41.92%
— Female	20.45%	22.33%	+9.17%	2.80	1.91	–45.34%
Category of employees						
— Senior management	5.30%	6.80%	+28.16%	4.75	4.75	+0.00%
— Middle management	31.06%	33.01%	+6.28%	3.31	2.14	–35.25%
— Frontline and other employees	63.64%	60.19%	–5.41%	2.61	1.19	–54.33%

Notes:

1. The statistical methodology adopted for reporting the above percentage of employees trained was based on "How to Prepare an ESG Report — Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange.

2. In 2022, the duration and frequency of trainings were reduced under the influence of COVID-19. In addition, the Company started to lay emphasis on trainings, so there was a significant increase in 2023 compared to 2022.

Looking into the future, the Group will be more committed to providing work support to employees, and actively conducting training to help employees achieve career development and personal growth.

Labour Standards

The labour policies and standards of the Group strictly conform to the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), the Labour Law of the PRC (《中華人民共和國勞動法》and other applicable labour laws and regulations. Related labour environment, employment duration, working time, rest and vacation and other rules all complied with laws and regulations. Meanwhile, the Group clarified in labour contracts and also kept employees informed about labour protection, labour conditions and occupational hazard protection. The Group also complied with the requirements of national and local regulations and policies in aspects of labour handling procedures, procedure completeness and procedures thereof. The Group will closely monitor the latest status of related governmental laws and regulations and make corresponding adjustment and update about its internal systems and procedures. At the beginning of every year, the Group also conducts analysis and evaluation on current systems and policies and makes optimisation and adjustment accordingly.

The Group recognises that child labour and forced labour violate fundamental human rights. Therefore, all forms of child labour or forced labour are prohibited. The Group has taken a suite of measures to prevent the occurrence of such incidents, and the Employee Manual also stipulates that employees must be at least 18 years old when applying for positions in the Company.

As part of our recruitment process, the identity card, graduation certificate and other documents provided by the employee at the time of job application must be their authentic documents. The borrowed or forged documents used for deceiving purpose are not allowed in the Company. Firstly, the human resources department will verify the legitimacy of the relevant documents. Such documents will then be submitted to the personnel department or the personnel administration department of the franchise for further investigation to ensure the authenticity of the holder and that they aged 18 or above.

According to the provisions of the Employee Manual, following discussion and consensus reached with the Company, the employees shall work under the unified schedule arranged by the Company on the grounds of the production needs, and will be offered corresponding compensation. The Group is transparent about the arrangement of employees' working hours and break time and will be dedicated to arrange employees' working time to achieve the best balance between their private and career lives. Any negative behaviour against employees, such as physical punishment, verbal abuse, sexual harassment, physical abuse and oppression, is strictly prohibited. During the Reporting Period, the Group was not aware of any non-compliance with the laws and regulations on prohibition of child labour that has a material impact on the Group, nor was there any case of forced labour or child labour.

Supply-Chain Management

The Group has put in place a well-established supplier management system, including a clear division of supervisory function, supplier assessment and approval, supplier selection and performance evaluation, and supervise the supply-chain management from various aspects. When selecting suppliers, the Group would inspect their contract performance, honesty, and legal compliance, meanwhile incorporate proper appraisal so as to make a comprehensive evaluation. Through contractual agreements, the Group required that all the suppliers must comply with national and local environmental laws and regulations, including but not limited to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Atmospheric Pollution Prevention and Control Law of the PRC 《中華人民共和國大氣污染防治法》, the Water Pollution Prevention and Control Law of the PRC 《中華人民共和國水污染防治法》, and the Solid Waste Pollution Prevention and Control Law of the PRC (《中華人民共和國固體廢物污染環境防治法》). The Group properly evaluated our suppliers to make sure that they complied with all the environmental and social requirements and fulfilled their environmental and social responsibilities. During the Reporting Period, the number of suppliers engaged by the Group was 112 (2022: 94 engaged suppliers), all of which were suppliers from Mainland China.

Product Responsibility

The Group pays high attention to product quality and boasts a robust quality control and assurance system to ensure that product quality meets regulatory and industry standards as well as customer expectations. The Group strictly complies with laws and regulations related to product liability, including but not limited to the Law on the Protection of Consumer Rights and Interests of the PRC (《中華人民共和國消費者權益保護法》). During the Reporting Period, the Group amended the Advertising Law of the PRC (《中華人民共和國廣告法》) and the Product Quality Law of the PRC (《中華人民共和國產品質量法》). During the Reporting Period, the Group was not aware of any non-compliance with the laws and regulations involving product and service security, labeling, advertising and privacy matters. In a bid to shore up the monitoring and management over product quality, by virtue of the provisions of the Product Quality Inspection Procedure (《產品質量檢查程序》), the Group conducts random checks on the manufactured products to ensure that the quality standards are met.

Complaint Handling Procedures

The Group adopts a customer-first concept and listens to their opinions, therefore being able to upgrade their using experience of our products and services. As such, the Group highly values solving complaints and is committed to responding to any complaints in an accurate, timely and courteous manner.

The Group has put in place the Customer Complaint Management Procedure (《客戶投訴管理規程》) to regulate the handling of complaints to ensure that all customer complaints are properly handled. Complaints will also be kept confidential and the Group guarantees that there will be no retaliation in any form against any complaint. For complaints, there must be sufficient support personnel responsible for the investigation and handling of quality complaints, and all complaints and investigation information must be reported to the quality authoriser.

All complaints must be registered and reviewed, and complaints related to product quality defects must be recorded in detail and investigated. In the meantime, the investigation and handling of complaints must be recorded, marking the information of the relevant products investigated. Subsequently, the complaint records must be reviewed and analysed regularly, so as to identify problems that require us to stay alert and recurring problems, and to take corresponding measures. During the Track Record Period, the Group did not receive any major complaints related to our products.

Intellectual Property Rights

In order to regulate the Company's patent management, give full play to the role of the patent system in the Company's development, propel the Company's technological innovation and acquire our independent intellectual property rights, the Group has established the Intellectual Property Rights Management System (《知識產權管理制度》). During the Track Record Period and up to the Latest Practicable Date, the Group was not involved in material legal proceeding, claims, disputes, arbitration or administrative proceedings pending or threatening against any member of our Group or any of our Directors with regard to any intellectual property rights. Nonetheless, the Group still abides by the Patent Law of the PRC (《中華人民共和國專利法》 and the Trademark Law of the PRC (《中華人民共和國商標法》. The Group will continue to assess the importance of intellectual property rights to our business and, where necessary, lay down measures to protect our intellectual property rights.

Product Recall

The safety of our customers remains of vital importance to the Group. To assure that the quality of our works meets the requirements, the Group has developed a Non-Conforming Product Control Procedure (《不合格品控制程式》). If the Group finds that a product may not comply with the requirements, the Group will recall all related products as soon as possible in line with such requirements. The Group will conduct further investigations to gain deeper understanding of the situation and thereby determine whether recall is necessary. Once recall is confirmed, the Customer Service Department will be responsible for initiating the recall procedure, overseeing the entire recall process, and providing affected customers with value-added services and compensation in light of the extent of impact as feedback. During the Reporting Period, there was no recall of sold or shipped products out of safety and health concerns. The Group targets to upheld high standards and maintain a zero record of product-related complaint and product recall out of safety and health concerns.

Protection of Customer Privacy

The Group is committed to protecting the personal data and privacy of its customers, employees and partners. There are confidentiality system and privacy practices in the Group, including but not limited to the collection, processing, use and disclosure of personal data.

Committed to fully complying with the privacy policies in relation to its customers, suppliers, and other related parties, the Group has created a safe environment where we can store data in our internal system using data protection measures, where data can only be accessed by authorised staff. To prevent any accidental or unauthorised access, modification or use of data, the Group will not disclose personal information of its staff, customers and suppliers, without prior permission from relevant parties.

During the Reporting Period, the Group complied with the relevant laws and regulations in relation to the protection of customer data, including but not limited to the Personal Information Protection Law of the People's Republic of China. All business operations within the Group are required to comply with our privacy policies and adopt a zero-tolerance approach against non-compliant behaviours. During the Reporting Period, the Group did not record any significant breaches of consumer information and privacy.

Anti-Corruption

The Group is committed to fostering a top-down ethical culture through training, effective communication and accountability, which is essential to maintaining the Group's reputation and the confidence of its business partners. The ethical culture, including zero tolerance for corruption and bribery, is also an important factor for healthy and sustainable development of our business. In this regard, the Group has developed the Management System for Combating Fraud, Malpractice and Corruption, which sets out malpractices to illustrate procedures for employees to identify situations that may lead to unethical conduct and to prevent, detect and resolve any anti-corruption incidents. Any money laundering activities using public or private bank accounts are also strictly prohibited and the Group will take relevant action against such misconduct.

The Group encourages employees to act in compliance with laws and with integrity in their daily operations and interactions, and helps employees address conflicts of interest and temptation of illegal benefits appropriately; and delivers the compliance and integrity information of the Group to all stakeholders in the society that have direct and indirect relationships with the Group, including external stakeholders (customers, suppliers, regulators and shareholders), in an appropriate way.

The Group has strictly complied with laws and regulations in relation to anti-corruption, including but not limited to the Advertising Law of the People's Republic of China, Law of the People's Republic of China on Anti-money Laundering, the Criminal Law of the People's Republic of China and Interim Provisions on Banning Commercial Bribery.

The table below sets out data on anti-corruption training:

Number of individuals trained for anti-corruption	Unit	2022[1]	2023	Percentage change
Directors	No. of people	—	5	—
Employees	No. of people	2	4	+100.00%

Note:

1. In 2023, the Company strengthened its focus on anti-corruption training and began to organise relevant training.

Community Investment

The Group is passionate about giving back to society and making contributions to our communities. The Group will continue to adhere to the principle of accountability to shareholders, investors, suppliers, customers and the public, seek further development opportunities, and maintain harmonious relations with stakeholders.

The Group also encourages employees to actively participate in public welfare activities. The Group believes that by actively participating in public welfare activities, employees can develop a sense of social responsibility and further enhance the Group's reputation as an active community builder. Therefore, the Group continues to encourage its employees to engage in community service to build a more sustainable future, a prosperous economy and a harmonious society.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

"ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" BY THE STOCK EXCHANGE OF HONG KONG LIMITED

Subject areas, aspects, general disclosures and KPIs	Description	Chapter/Statement
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Protection
KPI A1.1	The types of emissions and respective emissions data.	Emissions — Exhaust Emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions — Greenhouse Gas Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions — Waste
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions — Waste
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions — Waste
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources

Subject areas, aspects, general disclosures and KPIs	Description	Chapter/Statement
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employees
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employees
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employees
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety

Subject areas, aspects, general disclosures and KPIs	Description	Chapter/Statement
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply — Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply — Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply — Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply — Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply — Chain Management

Subject areas, aspects, general disclosures and KPIs	Description	Chapter/Statement
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility — Product Recall
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility — Complaint Handling Procedures
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility — Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility — Product Recall
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility — Protection of Customer Privacy
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-Corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-Corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-Corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-Corruption
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

pwc 羅兵咸永道

To the Shareholders of Wellcell Holdings Co., Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Wellcell Holdings Co., Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 73 to 131, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is related to the expected credit losses assessment of trade receivables and contract assets.

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit losses assessment of trade receivables and contract assets Refer to Notes 3.2(b) and 18 to the consolidated financial statements. As at 31 December 2023, the carrying amount of the Group's trade receivables and contract assets amounted to approximately RMB70.1 million and RMB62.7 million, respectively, and together, represented approximately 72.3% of the total assets of the Group. Management has estimated the expected credit losses ("**ECL**") on the trade receivables and contract assets and a loss allowance of approximately RMB3.4 million and RMB2.3 million was made against the trade receivables and contract assets as at 31 December 2023, respectively. The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.	Our procedures in relation to the ECL of trade receivables and contract assets included: • We obtained an understanding of management's internal controls and processes over the estimation of the ECL of trade receivables and contract assets and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the level of other inherent risk factors such as subjectivity; • We performed retrospective review by comparing the actual losses charged to the consolidated statement of comprehensive income in the current year against provision made as at the end of the previous year to assess the effectiveness of management's estimation process; • We performed the following procedures regarding the reasonableness of data, methods, significant assumptions used and judgements made by management: — We assessed the appropriateness of the ECL provisioning methodology adopted by management; — We tested, on a sample basis, the accuracy of the key data inputs used in the management assessment such as the aging schedules of trade receivables and contract assets;

Key Audit Matter	How our audit addressed the Key Audit Matter
The Group groups its trade receivables and contract assets into two categories based on their shared risk characteristics, and then recalculates their historical credit loss information before further incorporating forward-looking adjustments to reflect the management's forecasts of macroeconomic factors in different scenarios. We focused on this area due to the magnitude of the balance of trade receivables and contract assets and the fact that significant judgements were required by management in assessing the ECL of trade receivables and contract assets.	— We evaluated the reasonableness of the grouping of trade receivables and contract assets based on their nature and risk characteristics, and tested, on a sample basis, the accuracy of the grouping of trade receivables and contract assets; — We evaluated the reasonableness of the application of ECL model parameters and assumptions such as exposure at default and historical loss rate; — We evaluated the appropriateness of forward-looking information applied in the assessment with reference to independent data including multiple economic scenarios and parameters; and — We tested the mathematical accuracy of the calculations of loss allowance based on the historical losses and forward-looking information. Based on the above procedures, we considered that the significant judgements made by management in relation to the assessment of the ECL on trade receivables and contract assets were supportable by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheng Lap Yam.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
Revenue	5	**255,959**	226,513
Other income	7	**1,834**	3,434
Other losses — net	8	**(52)**	(21)
Employee benefit expenses	9	**(17,124)**	(20,041)
Subcontracting charges		**(153,847)**	(121,592)
Materials, supplies and other project costs		**(40,505)**	(38,220)
Depreciation and amortisation	6(a)	**(2,148)**	(3,066)
Net impairment losses of contract assets and trade receivables	3.2(b)	**(389)**	(3,333)
Other operating expenses	6(b)	**(5,759)**	(3,496)
Listing expenses	6(c)	**(14,008)**	(10,108)
Operating profit		**23,961**	30,070
Finance income	10	**205**	94
Finance costs	10	**(1,083)**	(896)
Finance costs, net	10	**(878)**	(802)
Profit before income tax		**23,083**	29,268
Income tax expense	11	**(2,686)**	(5,009)
Profit for the year attributable to the equity holders of the Company		**20,397**	24,259
Total comprehensive income for the year attributable to the equity holders of the Company		**20,397**	24,259
Earnings per share attributable to equity holders of the Company			
Basic and diluted (RMB cents per share)	12	**5.4**	6.5

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**1,492**	2,533
Intangible assets	14	**762**	1,607
Deferred tax assets	20	**851**	793
		3,105	4,933
Current assets			
Contract assets	18	**70,065**	67,895
Trade receivables	18	**62,700**	35,397
Prepayments, deposits and other receivables	16	**20,933**	10,545
Pledged bank deposits	17	**301**	—
Amount due from the immediate holding company	26	**1,181**	1,161
Current income tax recoverable		**1,497**	1,051
Cash and cash equivalents	17	**23,810**	42,199
		180,487	158,248
Total assets		**183,592**	163,181
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	30(b)	**—***	—
Combined capital		**—**	22,000
Reserves		**85,150**	58,742
Total equity		**85,150**	80,742

* The balance was less than RMB1,000.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2023 RMB'000	2022 RMB'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	23	**4,000**	8,000
Lease liabilities	19	**98**	—
		4,098	8,000
Current liabilities			
Trade and bills payables	21	**6,971**	5,216
Contract liabilities, other payables and accruals	22	**62,511**	45,280
Bank borrowings	23	**24,000**	22,000
Lease liabilities	19	**46**	83
Amounts due to shareholders	26	**816**	1,860
		94,344	74,439
Total liabilities		**98,442**	82,439
Total equity and liabilities		**183,592**	163,181

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The financial statements were approved by the board of directors on 28 March 2024 and were signed on its behalf.

Mr. Jia Zhengyi
Director

Mr. Cong Bin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company					
	Share capital RMB'000	Combined capital RMB'000 (Note a)	Capital reserve RMB'000	Statutory reserve RMB'000 (Note b)	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2022	—	22,000	(26,608)	12,783	62,911	71,086
Comprehensive income						
Profit for the year	—	—	—	—	24,259	24,259
Total comprehensive income	—	—	—	—	24,259	24,259
Transactions with equity holders						
Appropriation (Note b)	—	—	—	2,927	(2,927)	—
Dividend paid (Note 27)	—	—	—	—	(14,603)	(14,603)
Total transactions with equity holders	—	—	—	2,927	(17,530)	(14,603)
Balance at 31 December 2022	—	22,000	(26,608)	15,710	69,640	80,742
Balance at 1 January 2023	**—**	**22,000**	**(26,608)**	**15,710**	**69,640**	**80,742**
Comprehensive income						
Profit for the year	**—**	**—**	**—**	**—**	**20,397**	**20,397**
Total comprehensive income	**—**	**—**	**—**	**—**	**20,397**	**20,397**
Transactions with equity holders						
Reclassification of combined capital to share capital and capital reserves upon the completion of the reorganisation	**—***	**(22,000)**	**22,000**	**—***	**—***	**—***
Appropriation (Note b)	**—**	**—**	**—**	**2,269**	**(2,269)**	**—**
Dividend paid (Note 27)	**—**	**—**	**—**	**—**	**(15,989)**	**(15,989)**
Total transactions with equity holders	**—***	**(22,000)**	**22,000**	**2,269**	**(18,258)**	**(15,989)**
Balance at 31 December 2023	**—***	**—**	**(4,608)**	**17,979**	**71,779**	**85,150**

* The balances were rounded to the nearest thousand.

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

Notes:

(a) The Company was incorporated on 14 September 2021 and the reorganisation as detailed in Note 1.2 was completed on 27 April 2023. For the purpose of the consolidated financial statements, the combined capital as at 31 December 2022 represented the aggregate amounts of share capital of the companies then comprising the Group after elimination of the inter-company investment costs.

(b) The People's Republic of China (the "PRC") laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the profit after income tax (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. All statutory reserves are created for specific purposes. A PRC company is required to appropriate an amount of not less than 10% of statutory profits after income tax to statutory surplus reserves, prior to distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the company, to expand the company's operations, or to increase the capital of the company. In addition, a company may make further contribution to the discretional surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash generated from operations	24(a)	**9,221**	20,958
Income tax paid		**(3,190)**	(3,996)
Net cash generated from operating activities		**6,031**	16,962
Cash flows from investing activities			
Purchase of property, plant and equipment		**(74)**	(1,238)
Additions of intangible assets		**—**	(54)
Interest received		**205**	94
Net cash generated from/(used in) investing activities		**131**	(1,198)
Cash flows from financing activities			
Proceeds from bank borrowings	24(b)	**20,000**	30,000
Repayments of bank borrowings	24(b)	**(22,000)**	(7,860)
Interest paid	24(b)	**(1,083)**	(896)
Dividend paid	27	**(15,989)**	(14,603)
Changes in pledged deposits for bills payables		**(168)**	4,130
Advances from shareholders	24(b)	**1,668**	1,656
Repayments to shareholders	24(b)	**(2,712)**	(3,766)
Payment of principal element of lease liabilities	19(c)	**(127)**	(221)
Payment of listing expenses		**(4,140)**	(3,547)
Net cash (used in)/generated from financing activities		**(24,551)**	4,893
Net (decrease)/increase in cash and cash equivalents		**(18,389)**	20,657
Cash and cash equivalents at beginning of the year		**42,199**	21,542
Cash and cash equivalents at end of the year	17	**23,810**	42,199

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

WellCell Holdings Co., Limited (the "**Company**") was incorporated in the Cayman Islands on 14 September 2021 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of its registered office is 71 Fort Street, P.O. Box 500, George Town, Grand Cayman, KY1-1106, Cayman Islands.

The Company is an investment holding company and its subsidiaries now comprising the Group are principally engaged in providing wireless telecommunication network enhancement services, telecommunication network infrastructure maintenance and engineering services, information and communication technology integration services and telecommunication network-related software development services. The ultimate holding company of the Company is Shine Dynasty Limited ("**Shine Dynasty**"), a company incorporated in the British Virgin Islands (the "**BVI**"). The ultimate controlling shareholder is Mr. Jia Zhengyi ("**Mr. Jia**") who is a director of the Company.

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

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

1.2 Reorganisation

In preparation for the initial public offering ("**IPO**") and listing (the "**Listing**") of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent a reorganisation ("**the Reorganisation**") which principally involved the following steps:

(a) On 5 July 2018, Shine Dynasty, a company incorporated in the BVI with limited liability and was authorised to issue a maximum number of 50,000 shares of 1 United States dollar ("**USD**") each. Upon incorporation, 1 share of USD1 was allotted and issued at par and credited as fully paid to Mr. Jia.

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION (Continued)

1.2 Reorganisation (Continued)

(b) On 8 February 2019, WellCell Group Co., Limited ("**WellCell Group**") was incorporated in the BVI and was authorised to issue a maximum of 50,000 shares of par value of USD1 each. Upon incorporation, 103 shares, 75 shares, 10 shares, 8 shares and 4 shares were allotted and issued to Shine Dynasty wholly owned by Mr. Jia, Cheer Partners Limited ("**Cheer Partners**") wholly held by Mr. Lin Qihao ("**Mr. Lin**"), Mr. Fung Man Hon ("**Mr. Fung**"), Dazzling Power Limited ("**Dazzling Power**") wholly held by Mr. Cong Bin ("**Mr. Cong**") and Diamond Skyline Limited ("**Diamond Skyline**") wholly held by Ms. Chen Shen Mao ("**Ms. Chen**"), respectively. Subsequently on 1 September 2021, Mr. Fung transferred his entire equity interest in WellCell Group to Golden Concord Holding Limited ("**Golden Concord**") wholly held by Mr. Fung.

(c) On 19 February 2019, WellCell Hong Kong Limited ("**WellCell HK**") was incorporated in Hong Kong with limited liability with 1 share of 1 Hong Kong dollar ("HK$") allotted and issued to WellCell Group.

(d) On 1 March 2019, WellCell HK acquired 51.5%, 37.5%, 5%, 4% and 2% equity interest in WellCell Technology Company Limited* ("**WellCell Technology**") from Mr. Jia, Mr. Lin, Mr. Fung, Mr. Cong and Ms. Chen, respectively, at a total consideration of RMB28,600,000.

(e) On 3 July 2019, Guangdong WellCell Intelligent Technology Company Limited ("**WellCell Intelligent**") was incorporated in the PRC with limited liability by WellCell HK with a registered capital of RMB10,000,000. After its incorporation, WellCell Intelligent became a wholly-owned subsidiary of WellCell HK.

(f) On 11 August 2021, WellCell International Co., Limited ("**WellCell International**") was incorporated in the BVI and was authorised to issue a maximum of 50,000 shares of par value of USD1 each. Upon incorporation, 1 share was allotted and issued as fully paid to WellCell Group at par.

(g) On 27 August 2021, WellCell International acquired the entire equity interest of WellCell HK from WellCell Group. In consideration of acquisition, WellCell International issued and allotted 1 share to WellCell Group.

(h) On 14 September 2021, the Company was incorporated in the Cayman Islands with initial authorised share capital of 38,000,000 shares of HK$0.01 each. Upon incorporation, 1 share of the Company of HK$0.01 was issued and allotted to the initial subscribing shareholder. On the same day, the subscriber share was transferred to WellCell Group and the Company further issued and allotted 199 shares as fully paid to WellCell Group.

(i) On 27 April 2023, the Company acquired 100% equity interest in WellCell International at a consideration of the issue and allotment of 200 shares to WellCell Group.

Upon completion of the Reorganisation on 27 April 2023, the Company became the holding company of the companies comprising the Group.

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION (Continued)

1.2 Reorganisation (Continued)

Upon completion of the Reorganisation and as at the date of the consolidated financial statements, the Company had direct or indirect interests in the following subsidiaries:

Name of subsidiary	Place of incorporation/establishment and kind of legal entity	Principal activities and place of operation	Issued and paid-up capital/ registered capital	Effective interest held by the Group As at 31 December (%) 2023	2022
Direct Interests:					
WellCell International Co., Limited	The BVI, limited liability company	Investment holding in BVI	USD1	**100%**	100%
Indirect Interests:					
WellCell Hong Kong Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	HK$1	**100%**	100%
Guangdong WellCell Technology Company Limited* (廣東經緯天地科技有限公司)	The PRC, limited liability company	Provision of wireless telecommunication network enhancement services, telecommunication network infrastructure maintenance and engineering services, information and communication technology integration services and telecommunication network-related software development services	RMB22,000,000	**100%**	100%
Guangdong WellCell Intelligent Technology Company Limited* (廣東經緯天地智能科技有限公司)	The PRC, limited liability company	Sales of telecommunication network related software in the PRC	RMB515,298	**100%**	100%

* The English translation is for identification purpose only. These companies do not have official English name.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires the directors of the Group to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements Information, are disclosed in Note 4.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

New and amended standards adopted by the Group

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

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

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

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

		Effective for accounting periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements (Amendments)	1 January 2024
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

New standard and amendments to existing standards not yet adopted by the Group (Continued)

The Group will adopt the above new interpretations and amendments to existing standards as and when they become effective. The Group has performed preliminary assessment and does not anticipate any significant impact on the Group's financial position and results of operations upon adopting these interpretations and amendments to existing HKFRS.

2.2 Principles of consolidation

2.2.1 Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combination

Except for the Reorganisation, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amounts of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation (Continued)

2.2.1 Subsidiaries (Continued)

(a) Business combination (Continued)

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries now comprising the Group have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the directors who make strategic decisions.

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

2.4.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are generally recognised in profit or loss.

2.4.3 Group companies

The results and financial positions of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign operations are taken to other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amounts of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs, net of their residual value, over their estimated useful lives, as follows:

Furniture, fixtures and office equipment	3 to 5 years
Plant and machinery	3 to 5 years
Motor vehicles	3 to 5 years
Leasehold improvements	Shorter of estimated useful lives or remaining lease terms

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amounts if the asset's carrying amount is greater than its estimated recoverable amounts.

Gain or loss on disposal are determined by comparing proceeds with carrying amounts and are recognised in profit or loss.

2.6 Intangible assets

2.6.1 Acquired software for own use

Acquired software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. They have a finite useful life and are carried at cost less accumulated amortisation and impairment losses.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.6 Intangible assets (Continued)

2.6.2 Self-developed software

Development costs that are directly attributable to the design and testing of identifiable and unique software controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use,
- management intends to complete the software and use or sell it,
- there is an ability to use or sell the software,
- it can be demonstrated how the software will generate probable future economic benefits,
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Costs associated with maintaining self-developed software programmes are recognised as an expense as incurred.

2.6.3 Research and development

Research expenditure and development expenditure that do not meet the criteria in Note 2.6.2 above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2.6.4 Amortisation methods and periods

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

System software	5 years
Self-developed software	3 years

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.7 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.8.2 Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments to be measured at amortised costs.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired.

2.8.3 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and reward of ownership.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amounts reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.10 Impairment of financial assets

The Group has the following types of financial assets measured at amortised cost subject to HKFRS 9's expected credit loss model:

- Contract assets and trade receivables
- Deposits and other receivables and amount due from the immediate holding company
- Cash and cash equivalents and pledged bank deposits

The Group assesses on a forward-looking basis the expected credit loss associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

In assessing whether the credit risk of a financial asset has increased significantly since initial recognition, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse to actions such as realising security. The Group considers information that is reasonable and supportable, including historical experience and forward-looking information that is available.

For contract assets and trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the contract assets and trade receivables. The provision matrix is determined based on historical loss rates over the expected life of the contract assets and trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date, the historical loss rates are updated and changes in the forward-looking estimates are analysed.

For deposits and other receivables and amount due from the immediate holding company, the Group measures the impairment as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of the other receivables has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. To manage risk arising from cash and cash equivalents and pledged bank deposits, the Group only transacts with reputable financial institutions.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.11 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.12 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits held at call with banks with original maturities of three months or less.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade, bills and other payables

Trade and bills payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade, bills and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade, bills and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in interest expense over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.16 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amounts can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance costs.

2.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences.

2.18.1 Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2.18.2 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.18 Current and deferred income tax (Continued)

2.18.2 Deferred income tax (Continued)

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

2.18.3 Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.19 Employee benefits

2.19.1 Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

2.19.2 Defined contribution plans

The Group pays contributions to state-managed pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

Revenue is recognised when or as the control of the services or goods is transferred to the purchaser. Depending on the terms of the contract and the laws that apply to the contract, control of the services or goods may transfer over time or at a point in time. Control of the services or goods is transferred over time if the Group's performance:

(i) provides all of the benefits received and consumed simultaneously by the customer; or

(ii) creates and enhances an asset that the customer controls as the Group performs; or

(iii) does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the services or goods transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the purchaser obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on output method that best depicts the Group's performance in satisfying the performance obligation. The output method is made reference to the direct measurements of the value to the customer of goods or services transferred to date, provided that the value to the customer is established according to the progress report confirmed by customer.

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Certain contracts entered into by the Group in the provision of wireless telecommunication network enhancement services, telecommunication network infrastructure maintenance and engineering services and information and communication technology integration services include contingent payment clauses that give rise to variable consideration.

For variable consideration arising from contingent payment clauses, the Group is subcontracted by the customers who are engaged by the ultimate users as contractors of projects, and the Group's receipts of payment from the customers are in turn contractually contingent on the customers receiving the acceptance and payment from the ultimate users, only after which the customers will settle with the Group.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.20 Revenue recognition (Continued)

The Group uses the expected value method to estimate the amount of variable consideration because this method best predicts the amount of variable consideration to which the Group will be entitled. Accumulated historical receipts, background of ultimate project user, duration of project and involvement of numbers of parties in the project are used to estimate the variable consideration arising from contingent payment clauses.

Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determines that variable consideration is constrained until it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the change in circumstances during the reporting period.

When either party to a contract has performed, the Group presents the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment. A contract asset is the Group's right to consideration in exchange for goods that the Group has transferred to a customer. Incremental costs incurred to obtain a contract, if recoverable, are capitalised and presented as assets and subsequently amortised when the related revenue is recognised. The Group applies the practical expedient and recognises costs of obtaining a contract as an expense when incurred because the amortisation period is normally within one year or less.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers the promised goods to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer the promised goods to a customer for which the Group has received consideration or an amount of consideration is due from the customer.

Revenue is recognised when specific criteria have been met for the Group's activities as described below:

2.20.1 Wireless telecommunication network enhancement services

Revenue from provision of wireless telecommunication network enhancement services is recognised over time in accordance with output method for measuring progress when the related services are rendered.

2.20.2 Telecommunication network infrastructure maintenance and engineering services

Revenue from provision of telecommunication network infrastructure maintenance and engineering services is recognised over time in accordance with output method for measuring progress when the related services are rendered.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.20 Revenue recognition (Continued)

2.20.3 Information and communication technology integration services

Revenue from information and communication technology integration services is recognised over time in accordance with the output method for measuring progress when the related services are rendered.

2.20.4 Software development and related services

Revenue from software development and related services is recognised over time in accordance with the output method for measuring progress when the related services are rendered.

2.20.5 Sales of software

Sales of software transferred at a point in time are recognised when control of the goods has transferred, being when the Group has delivered the products to the customers and the customers have accepted the products, the customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

2.21 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.22 Equipment rental income

Equipment rental income receivable is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

2.23 Leases

The Group leases various properties and machineries. Rental contracts are typically made for fixed periods of three months to six years. Lease terms are negotiated on an individual basis and contain various terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as right-of-use assets (included in property, plant and equipment) and the corresponding liabilities at the date of which the respective leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.23 Leases (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the entity's incremental borrowing rate.

Right-of-use assets are measured at costs comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases for property, plant and machinery with a lease term of less than 12 months.

2.24 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the year in which the dividend is approved by the Company's shareholders or directors, where appropriate.

2.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to expenses are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.26 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amounts of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management policies and practices focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1 Market risk

3.1.1 Foreign exchange risk

The Group operates mainly in the PRC with most of the transactions settled in RMB. Management considers that the Group is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of the Group denominated in the currencies other than the respective functional currencies of the Group's entities.

During the years ended 31 December 2022 and 2023, the Group has not entered into any derivative instruments to hedge its foreign exchange exposures.

3.1.2 Interest rate risk

The Group's interest rate risk is mainly attributable to its cash at banks, pledged bank deposits and bank borrowings with floating interest rates. Details of the Group's cash at banks, pledged bank deposits and bank borrowings have been disclosed in Notes 17 and 23 to the consolidated financial statements respectively.

Other than cash at banks, pledged bank deposits and bank borrowings, the Group does not have significant interest-bearing assets or liabilities.

At 31 December 2023, if interest rates on cash at bank, pledged bank deposits and bank borrowings had been 100 basis points higher/lower with all variables held constant, profit before income tax for the year then ended would have been approximately RMB39,000 lower/higher (2022: RMB122,000 higher/lower), mainly due to the net impact of higher/lower interest income on cash at banks and pledged bank deposits offset by higher/lower interest expenses on the bank borrowings.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents, pledged bank deposits, contract assets and trade receivables, deposits and other receivables. The carrying amounts of each financial asset represent the Group's maximum exposure to credit risk in relation to financial assets.

(a) Risk management

The credit risk of the Group mainly arises from cash and cash equivalents, pledged bank deposits, contract assets and trade receivables, deposits and other receivables. The carrying amounts of each financial asset represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's cash and cash equivalents and pledged bank deposits were deposited with high quality financial institutions. Therefore, the Group does not expect any loss from non-performance by these counterparties.

(b) Impairment of assets

The Group has the following types of financial assets measured at amortised cost subject to HKFRS 9's expected credit loss model:

- Cash and cash equivalents and pledged bank deposits
- Deposits and other receivables and amount due from the immediate holding company
- Contract assets and trade receivables

Cash and cash equivalents and pledged bank deposits

While cash and cash equivalents and pledged bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial as they were placed in reputable institutions with sound credit ratings.

Deposits and other receivables and amount due from the immediate holding company

For deposits and other receivables, the impairment loss is measured based on the 12-month expected credit loss. The 12-month expected credit loss is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there is a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime expected credit loss.

As at 31 December 2022 and 2023, the Group has assessed that the expected credit losses for these deposits and other receivables were immaterial under 12-month expected losses method as the management considered the credit risk of other receivables as low as counterparties have the capacity to meet their contractual cash flow obligations in the near term. Therefore, no loss allowance provision for these balances was recognised. For amount due from the immediate holding company, the Group has assessed the expected credit losses of the balance and the identified impairment loss was immaterial.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Credit risk (Continued)

(b) Impairment of assets (Continued)

Contract assets and trade receivables

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all contract assets and trade receivables.

To measure the expected credit losses, contract assets and trade receivables have been grouped into two categories by the Group's management based on credit risk characteristics. Contract assets and trade receivables from state-owned and/or listed companies and their subsidiaries are grouped as one category ("Group 1"), and the remaining contract assets and trade receivables from other customers, being private companies that are neither state-owned nor listed, or companies controlled by them, are classified as another category ("Group 2").

The expected credit loss rates are estimated on the basis of historical credit losses experienced, adjusted to reflect the effects of existing market conditions as well as forward looking information on macroeconomic factors affecting the ability of the customers to settle the contract assets and trade receivables.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categories a receivable for write off when a debtor falls to make contractual payments. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, they are recognised in profit or loss.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Credit risk (Continued)

(b) Impairment of assets (Continued)

On these bases, the loss allowances for contract assets and trade receivables as at 31 December 2022 and 2023 were determined as follows:

	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
31 December 2022				
Group 1				
Collective basis				
Contract assets	3.1%	60,683	1,861	58,822
Trade receivables				
— Within 180 days	1.5%	30,962	456	30,506
— Between 181 days and 365 days	1.5%	375	6	369
— Between 1 year and 2 years	19.4%	2,181	424	1,757
— Over 2 years	100%	1,236	1,236	—
Group 2				
Collective basis				
Contract assets	6.5%	9,705	632	9,073
Trade receivables				
— Within 180 days	6.8%	2,454	167	2,287
— Between 1 year and 2 years	51.2%	979	501	478
31 December 2023				
Group 1				
Collective basis				
Contract assets	**2.6%**	**64,284**	**1,655**	**62,629**
Trade receivables				
— Within 180 days	**1.6%**	**43,510**	**688**	**42,822**
— Between 181 days and 365 days	**1.6%**	**11,889**	**188**	**11,701**
— Between 1 year and 2 years	**18.9%**	**4,158**	**784**	**3,374**
— Over 2 years	**100.0%**	**842**	**842**	**—**
Group 2				
Collective basis				
Contract assets	**7.7%**	**8,060**	**624**	**7,436**
Trade receivables				
— Within 180 days	**5.7%**	**3,569**	**204**	**3,365**
— Between 181 days and 365 days	**5.7%**	**1,525**	**87**	**1,438**
— Over 2 years	**100.0%**	**600**	**600**	**—**

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Credit risk (Continued)

(b) Impairment of assets (Continued)

Impairment losses on contract assets and trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Movements of the provision for impairment of contract assets and trade receivables were as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
At beginning of the year	**5,283**	1,950
Provision for impairment of contract assets and trade receivables	**389**	3,333
At end of the year	**5,672**	5,283

3.3 Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the shorter and longer term.

The Group maintains liquidity by a number of sources including orderly realisation of receivables that the Group considers appropriate. Long-term financing including long-term borrowings are also considered by the Group in its capital structuring. The Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest-bearing borrowings which enable the Group to continue its business for the foreseeable future.

As at 31 December 2023, the Group's total undrawn banking facilities amounted to approximately RMB7,000,000(2022: RMB5,000,000).

The table below analyses the non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Liquidity risk (Continued)

The amounts disclosed in the table were the contractual undiscounted cash flows and the earliest date the Group can be required to pay. Balances within twelve months equal their carrying balances as impact from discounting is not significant.

	Repayable on demand RMB'000	Less than 1 year RMB'000	Between 1 and 5 years RMB'000	Total RMB'000
At 31 December 2022				
Trade and bills payables	—	5,216	—	5,216
Other payables and accruals (Excluding accrued employee benefits expenses and VAT and other tax payables)	—	39,074	—	39,074
Amounts due to shareholders	1,860	—	—	1,860
Bank borrowings	—	22,609	8,286	30,895
Lease liabilities	—	84	—	84
	1,860	66,983	8,286	77,129
At 31 December 2023				
Trade and bills payables	**—**	**6,971**	**—**	**6,971**
Other payables and accruals (Excluding accrued employee benefits expenses and VAT and other tax payables)	**—**	**57,894**	**—**	**57,894**
Amounts due to shareholders	**816**	**—**	**—**	**816**
Bank borrowings	**10,179**	**14,587**	**4,048**	**28,814**
Lease liabilities	**—**	**50**	**101**	**151**
	10,995	**79,502**	**4,149**	**94,646**

3.4 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders or sell assets to reduce debt.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.4 Capital management (Continued)

The Group monitors capital on the basis of the total debt to total capital ratio. Total debt and total capital represent total bank borrowings and total equity, respectively, as shown in the Group's consolidated statement of financial position. The total debt to total capital ratios as at 31 December 2022 and 2023 were as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Total bank borrowings	**28,000**	30,000
Total equity	**85,150**	80,742
Total debt to total capital ratio	**32.9%**	37.2%

There were no material changes to the total debt to total capital ratio from 31 December 2022 to 31 December 2023.

3.5 Fair value estimation

As at 31 December 2022 and 2023, the Group did not have any financial assets or financial liabilities which were measured at fair value.

The carrying amounts of the Group's financial assets and financial liabilities, approximated their fair values due to their short maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

4.1 Estimation of variable consideration

Certain contracts entered into by the Group in the provision of wireless telecommunication network enhancement services, telecommunication network infrastructure maintenance and engineering services and information and communication technology integration services include contingent payment clauses that give rise to variable consideration.

For variable consideration arising from contingent payment clauses, the Group is subcontracted by the customers who are engaged by the ultimate users as contractors of projects, and therefore the Group's receipts of payment from the customers are in turn contractually contingent on the customers receiving the acceptance and payment from the ultimate users, only after which the customers will then settle with the Group. In estimating the outcome of acceptance and payment by the ultimate project users, the Group considers, among other things, the financial strength of the ultimate project users and the level of technical complexities of the projects.

Based on the above, the management of the Group estimated the variable consideration arising from contingent payment clauses to be ranging from 10% to 20% of the total consideration of the projects. The respective revenue would not be recognised at contract inception until the uncertainty associated with the variable consideration is subsequently resolved.

4.2 Measurement of the expected credit losses for trade receivables and contract assets

The Group uses judgement in measuring the expected credit losses for trade receivables and contract assets when selecting the inputs to the impairment calculation, based on the Group's historical credit loss information as well as forward-looking estimates at the end of each reporting period. Explanation of the inputs, assumptions and estimation techniques used in measuring expected credit loss is further detailed in Notes 3.2(b).

Where the expectations are different from the original estimates, such differences will impact the carrying amounts of trade receivables and contract assets and the expected credit losses in the periods in which such estimates have been changed.

4.3 Income taxes

The Group is subject to income taxes mainly in the PRC. Significant judgement is required in determining provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the periods in which such determination are made.

Deferred tax assets relating to certain temporary differences are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and tax expense in the periods in which such estimate is changed.

5 REVENUE AND SEGMENT INFORMATION

The CODM has been identified as the directors of the Company. The directors review the Group's internal reporting in order to assess performance and allocate resources. The directors have determined the operating segment based on these reports.

The directors consider the Group's operation from a business perspective and determine that the Group has one reportable operating segment being provision of services and products for telecommunication network and infrastructure.

(a) Revenue

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Timing of revenue recognition		
Over time		
— Wireless telecommunication network enhancement services	**94,923**	102,136
— Telecommunication network infrastructure maintenance and engineering services	**43,796**	44,516
— Information and communication technology integration services	**93,279**	54,592
— Software development and related service	**18,142**	21,745
	250,140	222,989
At a point in time		
— Sales of software	**5,819**	3,524
	255,959	226,513

5 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Revenue from major customers who have individually contributed 10% or more of the total revenue of the Group, including sales to a group of entities which are known to be under common control with that customer, is set out below:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Customer A	**54,820**	53,917

(c) For the year ended 31 December 2023, 45% of the Group's revenue was derived from its top five customers (2022: 51%). As at 31 December 2023, 52% of the total contract assets and trade receivables were due from the Group's top five customers (2022: 40%).

(d) Segment revenue by customers' geographical location

The Group is domiciled in the PRC. All revenue is derived from external customers in the PRC for the years ended 31 December 2022 and 2023.

(e) Details of contract liabilities

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Contract liabilities (Note 22)	**1,423**	2,303

Notes:

(i) Contract liabilities represent advanced payments received from the customers for services that have yet been transferred to the customers. The contract liabilities fluctuated during the years due to fluctuation in sales with advanced payments.

(ii) During the year ended 31 December 2023, all brought-forward contract liabilities of approximately RMB2,303,000 at the beginning of the financial year were fully recognised as revenue.

5 REVENUE AND SEGMENT INFORMATION (Continued)

(f) Unsatisfied performance obligations

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022 and 2023 and the expected timing of recognising revenue is as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Within one year	**75,727**	86,068
More than one year but less than two years	**3,933**	6,873
	79,660	92,941

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its contracts for services such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for services that had an original expected duration of one year or less.

The amounts disclosed above do not include variable consideration which is constrained.

(g) Non-current assets by geographical location

As at 31 December 2022 and 2023, all of the Group's non-current assets were located in the PRC.

6 PROFIT BEFORE TAXATION

Profit before taxation is stated after charging the following:

(a) Depreciation and amortisation

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Depreciation charges		
— Property, plant and equipment (Note 13)	**1,212**	1,555
— Right-of-use assets (Note 13)	**91**	228
Total depreciation charges (Note 13)	**1,303**	1,783
Amortisation of intangible assets (Note 14)	**845**	1,283
	2,148	3,066

6 PROFIT BEFORE TAXATION (Continued)

Profit before taxation is stated after charging the following (Continued):

(b) Other operating expenses

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

(c) Listing expenses

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

7 OTHER INCOME

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

Notes:

(a) During the years ended 31 December 2022 and 2023, there were no unfulfilled conditions or other contingencies attaching to these grants.

(b) Equipment is leased to customers under operating leases with fixed lease payments.

8 OTHER LOSSES — NET

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

9 EMPLOYEE BENEFIT EXPENSES

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

Notes:

(a) Pensions costs — defined contribution plans

The PRC

As stipulated under the relevant rules and regulations in the PRC, the subsidiary operating in the PRC contributes to state-sponsored retirement plans for its employees. For the years ended 31 December 2022 and 2023, depending on the provinces of the employees' registered residences and their current region of work, the subsidiary contributed certain percentages of the basic salaries of its employees and had no further obligations for the actual payment of pensions or postretirement benefits beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees.

During the years ended 31 December 2022 and 2023, no forfeited contributions were utilised by the Group to reduce its contributions, and no forfeited contribution was available as at 31 December 2023 to reduce future contributions.

Hong Kong

Retirement benefit costs — defined contribution schemes

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Group's and the employees' mandatory contributions are subject to a cap of HK$1,500 per month.

No forfeited contribution is available to reduce the contribution payable in future year.

9 EMPLOYEE BENEFIT EXPENSES (Continued)

Notes: (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include nil directors for the year ended 31 December 2023 (2022: 2), whose emoluments are reflected in the analysis presented in Note 28. The emoluments payable to the remaining 5 (2022: 3) individuals for the years are as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Wages and salaries	**2,071**	1,590
Pension costs — defined contribution plans	**209**	75
	2,280	1,665

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December	
	2023	2022
Emolument bands		
HK$1 to HK$1,000,000	**5**	3

During the year ended 31 December 2023, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2022: Nil).

10 FINANCE COSTS, NET

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Finance income		
Interest income on cash at banks	**205**	94
Finance costs		
Interest expenses on		
— Bank borrowings	**(1,076)**	(887)
— Leases (Note 19(b))	**(7)**	(9)
	(1,083)	(896)
Finance costs, net	**(878)**	(802)

11 INCOME TAX EXPENSE

Hong Kong profits tax rate is 16.5%. No provision for Hong Kong profits tax was provided as the Group did not have assessable profit in Hong Kong for the years ended 31 December 2022 and 2023.

Income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

The general enterprise income tax rate in the PRC is 25%. During the years ended 31 December 2022 and 2023, WellCell Technology, the Group's major operating subsidiary in the PRC, has qualified for high and new technology enterprises status and is therefore subject to a preferential income tax rate of 15%.

During the years ended 31 December 2022 and 2023, a 10% withholding tax was levied on dividend declared by a company in the PRC to its foreign shareholder.

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Current income tax		
— PRC CIT	**544**	3,407
— PRC dividend withholding tax	**2,200**	2,200
Deferred income tax (Note 20)	**(58)**	(598)
Income tax expense	**2,686**	5,009

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Profit before income tax	**23,083**	29,268
Tax calculated at tax rates applicable to profits of the respective subsidiaries	**1,210**	4,504
Tax effect of:		
Expenses not deductible for tax purposes	**2,394**	237
Super deductions from research and development expenditure (Note)	**(3,118)**	(2,030)
Re-measurement of deferred tax — change in the tax status of the PRC subsidiary	**—**	98
Withholding tax on dividends	**2,200**	2,200
Income tax expense	**2,686**	5,009

Note: According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, enterprises engaging in research and development activities are entitled to claim 175% to 200% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year.

12 EARNINGS PER SHARE

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

In determining the weighted average number of ordinary shares in issue during the years ended 31 December 2022 and 2023, 200 ordinary shares of the Company, which were issued by the Company on 27 April 2023 for the Reorganisation as stated in Note 1.2(i), were deemed to have been issued and allotted by the Company on 1 January 2022 as if the Company has been incorporated by then when computing the basic and diluted earnings per share for the years ended 31 December 2022 and 2023.

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

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

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

13 PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets RMB'000	Furniture, fixtures and office equipment RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2022						
Cost	1,406	4,024	382	1,632	573	8,017
Accumulated depreciation	(1,032)	(2,633)	(46)	(750)	(369)	(4,830)
Net book amount	374	1,391	336	882	204	3,187
Year ended 31 December 2022						
Opening net book amount	374	1,391	336	882	204	3,187
Additions	97	886	—	262	83	1,328
Depreciation (Note 6(a))	(228)	(1,035)	(59)	(312)	(149)	(1,783)
Disposals	(199)	—	—	—	—	(199)
Closing net book amount	44	1,242	277	832	138	2,533
At 31 December 2022						
Cost	397	4,909	383	1,894	656	8,239
Accumulated depreciation	(353)	(3,667)	(106)	(1,062)	(518)	(5,706)
Net book amount	44	1,242	277	832	138	2,533
Year ended 31 December 2023						
Opening net book amount	**44**	**1,242**	**277**	**832**	**138**	**2,533**
Additions	**188**	**39**	**—**	**35**	**—**	**262**
Depreciation (Note 6(a))	**(91)**	**(715)**	**(59)**	**(344)**	**(94)**	**(1,303)**
Closing net book amount	**141**	**566**	**218**	**523**	**44**	**1,492**
At 31 December 2023						
Cost	**585**	**4,948**	**383**	**1,929**	**656**	**8,501**
Accumulated depreciation	**(444)**	**(4,382)**	**(165)**	**(1,406)**	**(612)**	**(7,009)**
Net book amount	**141**	**566**	**218**	**523**	**44**	**1,492**

14 INTANGIBLE ASSETS

	Acquired software for own use RMB'000	Self-developed software RMB'000	Total RMB'000
At 1 January 2022			
Cost	1,772	3,472	5,244
Accumulated amortisation	(1,380)	(1,028)	(2,408)
Net book amount	392	2,444	2,836
Year ended 31 December 2022			
Opening net book amount	392	2,444	2,836
Additions	54	—	54
Amortisation (Note 6(a))	(126)	(1,157)	(1,283)
Closing net book amount	320	1,287	1,607
At 31 December 2022			
Cost	1,825	3,472	5,297
Accumulated amortisation	(1,505)	(2,185)	(3,690)
Net book amount	320	1,287	1,607
Year ended 31 December 2023			
Opening net book amount	**320**	**1,287**	**1,607**
Amortisation (Note 6(a))	**(98)**	**(747)**	**(845)**
Closing net book amount	**222**	**540**	**762**
At 31 December 2023			
Cost	**1,825**	**3,472**	**5,297**
Accumulated amortisation	**(1,603)**	**(2,932)**	**(4,535)**
Net book amount	**222**	**540**	**762**

15 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost		
Trade receivables (Note 18)	**62,700**	35,397
Deposits and other receivables	**4,692**	2,701
Amount due from the immediate holding company (Note 26(a))	**1,181**	1,161
Pledged bank deposits (Note 17)	**301**	—
Cash and cash equivalents (Note 17)	**23,810**	42,199
	92,684	81,458
Financial liabilities		
Financial liabilities at amortised cost		
Trade and bills payables (Note 21)	**6,971**	5,216
Other payables and accruals (Excluding accrued employee benefits expenses and VAT and other tax payables)	**57,894**	39,074
Amounts due to shareholders (Note 26(a))	**816**	1,860
Bank borrowings (Note 23)	**28,000**	30,000
Lease liabilities (Note 19)	**144**	83
	93,825	76,233

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Current portion		
Prepayments for project material costs	**4,899**	744
Other prepayments	**725**	623
Rental and other deposits (Note i)	**106**	174
Deposits for tendering (Note i)	**4,030**	2,148
Other receivables (Note i)	**556**	379
Deferred listing expenses (Note ii)	**10,617**	6,477
	20,933	10,545

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes:

(i) As at 31 December 2022 and 2023, the carrying amounts of deposits and other receivables were denominated in RMB and approximated their fair values. These balances were unsecured and interest free.

(ii) The deferred listing expenses were incurred in connection with the listing of the Company and will be deducted from equity upon listing.

17 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Cash at banks	**23,810**	42,199
Cash and cash equivalents	**23,810**	42,199
Pledged bank deposits (Note)	**301**	—
	24,111	42,199
Maximum exposure to credit risk	**24,111**	42,199

Note: As at 31 December 2023, deposits amounting to RMB133,000 were pledged to banks as required by certain customer projects as securities for wages and deposits amounting to RMB168,000 were pledged to banks as securities for bills payables issued by the banks.

The carrying amounts of the Group's cash and cash equivalents and pledged bank deposits were denominated in the following currencies:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
RMB	**24,080**	41,889
HK$	**31**	310
	24,111	42,199

As at 31 December 2023, cash and cash equivalents and pledged bank deposits of the Group amounting to approximately RMB24,080,000 (2022: RMB41,889,000) were deposited with the banks in the PRC where the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the government of the PRC.

18 CONTRACT ASSETS AND TRADE RECEIVABLES

	As at 31 December 2023 RMB'000	2022 RMB'000
Contract assets	**72,344**	70,388
Less: provision for impairment of contract assets (Note 3.2(b))	**(2,279)**	(2,493)
	70,065	67,895
Trade receivables	**66,093**	38,187
Less: provision for impairment of trade receivables (Note 3.2(b))	**(3,393)**	(2,790)
	62,700	35,397
	132,765	103,292

Contract assets represent the Group's rights to consideration for work completed but unbilled. The contract assets are transferred to trade receivables when the rights become unconditional when the project progress is verified, accepted and agreed to be billed by the customers. The balances of contract assets fluctuated as the Group provided varying amounts of services that were unbilled before the end of each reporting period.

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

Trade receivables are generally due within 15 days to 180 days from the date of billing.

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

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

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

19 LEASES

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position included the following amounts relating to leases:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Right-of-use assets*		
Properties	**141**	44

* The balances were included in Note 13 "property, plant and equipment".

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Lease liabilities		
Non-current portion	**98**	—
Current portion	**46**	83
	144	83

Additions to the right-of-use assets amounted to approximately RMB188,000 during the year ended 31 December 2023 (2022: RMB 97,000).

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

19 LEASES (Continued)

(b) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income included the following amounts relating to leases:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Depreciation charge of right-of-use assets (Note 13)	**91**	228
Finance costs on leases (Note 10)	**7**	9
Expenses of short-term leases in respect of machineries, offices, motor vehicles and staff quarters		
— Included in material supplies and other project cost	**4,984**	5,495
— Included in other operating expenses (Note 6(b))	**4**	145
	4,988	5,640
Gain on disposal of right-of-use assets and lease liabilities on early termination of a lease (Note 8)	**—**	22

(c) Amounts recognised in the consolidated statement of cash flows

During the years ended 31 December 2022 and 2023, the total cash outflows for leases were analysed as below:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Cash flows from operating activities		
Payments for short-term leases in respect of machineries, offices, motor vehicles and staff quarters*	**4,988**	5,640
Cash flows from financing activities		
Payment of interest element of lease liabilities (Note 10)	**7**	9
Payment of principal element of lease liabilities	**127**	221
	5,122	5,870

* Payments for short-term leases were not shown separately but included in the line of "profit before income tax" in respect of the net cash generated from operations which were presented in Note 24(a) using the indirect method.

20 DEFERRED INCOME TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to the same tax authority.

The analysis of deferred tax assets is as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Deferred tax assets	**851**	793

The movement in deferred tax assets during the years, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	**Loss Allowance** RMB'000
At 1 January 2022	195
Effect of change in the applicable tax rate recognised in consolidated statement of comprehensive income	98
Credited to the consolidated statement of comprehensive income (Note 11)	500
At 31 December 2022	793
Credited to the consolidated statement of comprehensive income (Note 11)	58
At 31 December 2023	851

As at 31 December 2022 and 2023, the Group had undistributed earnings of approximately RMB46,532,000 and RMB47,731,000, respectively, which, if paid out as dividends, would be subject to tax in the hands of the receipts. An assessable temporary difference exists, but no deferred tax liability has been recognised as the parent entity is able to control the timing of distributions of dividends from the PRC subsidiaries such that each year's dividend, if any, is expected to be declared and paid out of that year's profit, not from the undistributed retained earnings brought forward.

21 TRADE AND BILLS PAYABLES

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

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

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

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

22 CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Accrued subcontracting charges, materials costs and other direct project costs	**47,219**	32,873
Accrued listing expenses	**8,286**	5,355
Other payables and accruals	**2,389**	846
Accrued employee benefits expenses	**1,618**	2,026
Contract liabilities (Note 5(e))	**1,423**	2,303
VAT and other tax payables	**1,576**	1,877
	62,511	45,280

As at 31 December 2022 and 2023, the carrying amounts of other payables and accruals approximated their fair values.

22 CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS (Continued)

The carrying amounts of the Group's other payables and accruals were denominated in the following currencies:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
RMB	**53,057**	41,956
HK$	**8,031**	1,021
	61,088	42,977

23 BANK BORROWINGS

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

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

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

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

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

23 BANK BORROWINGS (Continued)

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

Certain of the Group's bank borrowings as at 31 December 2022 and 2023 are subject to the fulfillment of certain covenants which primarily relate to, among others, the maintenance of debt-to-assets ratio below certain levels. The Group regularly monitors its compliance with these covenants and none of these covenants had been breached as at 31 December 2022 and 2023.

24 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit before income tax for the years to net cash generated from operations

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Profit before income tax	**23,083**	29,268
Adjustments for:		
Finance income (Note 10)	**(205)**	(94)
Finance costs (Note 10)	**1,083**	896
Depreciation and amortisation (Note 6(a))	**2,148**	3,066
Net impairment losses of contract assets and trade receivables (Note 3.2(b))	**389**	3,333
Gain on disposal of right-of-use assets and lease liabilities on early termination of lease (Note 8)	**—**	(22)
	26,498	36,447
Changes in working capital:		
— Contract assets and trade receivables	**(29,862)**	(2,368)
— Prepayments, deposits and other receivables	**(10,388)**	396
— Amount due from the immediate holding company	**(20)**	(1,049)
— Trade and bills payables	**1,755**	(11,982)
— Other payables and accruals	**21,371**	(486)
— Pledged bank deposits (Note 17)	**(133)**	—
Net cash generated from operations	**9,221**	20,958

24 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) The reconciliations of liabilities arising from financing activities are as follows:

	Bank borrowings RMB'000	Lease liabilities RMB'000	Dividend payable RMB'000	Amounts due to shareholders RMB'000	Total RMB'000
As at 1 January 2022	7,860	435	—	3,970	12,265
Cash flows					
— Proceeds from bank borrowings	30,000	—	—	—	30,000
— Repayments of bank borrowings	(7,860)	—	—	—	(7,860)
— Payment of principal element of lease liabilities	—	(221)	—	—	(221)
— Interest paid	(887)	(9)	—	—	(896)
— Advances from shareholders	—	—	—	1,656	1,656
— Repayments to shareholders	—	—	—	(3,766)	(3,766)
— Dividend paid (Note 27)	—	—	(14,603)	—	(14,603)
Other non-cash movements					
— Additions of lease liabilities	—	97	—	—	97
— Interest expenses (Note 10)	887	9	—	—	896
— Disposal on early termination of a lease	—	(228)	—	—	(228)
— Dividend declared (Note 27)	—	—	14,603	—	14,603
As at 31 December 2022	30,000	83	—	1,860	31,943
As at 1 January 2023	**30,000**	**83**	**—**	**1,860**	**31,943**
Cash flows					
— Proceeds from bank borrowings	**20,000**	**—**	**—**	**—**	**20,000**
— Repayments of bank borrowings	**(22,000)**	**—**	**—**	**—**	**(22,000)**
— Payment of principal element of lease liabilities	**—**	**(127)**	**—**	**—**	**(127)**
— Interest paid	**(1,076)**	**(7)**	**—**	**—**	**(1,083)**
— Advances from shareholders	**—**	**—**	**—**	**1,668**	**1,668**
— Repayments to shareholders	**—**	**—**	**—**	**(2,712)**	**(2,712)**
— Dividend paid (Note 27)	**—**	**—**	**(15,989)**	**—**	**(15,989)**
Other non-cash movements					
— Additions of lease liabilities	**—**	**188**	**—**	**—**	**188**
— Interest expenses (Note 10)	**1,076**	**7**	**—**	**—**	**1,083**
— Dividend declared (Note 27)	**—**	**—**	**15,989**	**—**	**15,989**
As at 31 December 2023	**28,000**	**144**	**—**	**816**	**28,960**

25 CAPITAL COMMITMENTS

As at 31 December 2022 and 2023, the Group did not have any material capital commitments.

26 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

The ultimate holding company and controlling shareholder are disclosed in Note 1.1.

Major related parties that had transactions with the Group during the years were as follows:

Related parties	Relationship with the Company
Mr. Jia	Director and the controlling shareholder
Ms. Zheng Li	Spouse of Mr. Jia
Ms. Chen	Shareholder
Mr. Cong	Director and Shareholder
Mr. Fung	Shareholder
Mr. Lin	Director and Shareholder
Cheer Partners Limited	Controlled by Mr. Lin
Shine Dynasty Limited	Controlled by Mr. Jia
Dazzling Power Limited	Controlled by Mr. Cong
Diamond Skyline Limited	Controlled by Ms. Chen
Golden Concord Limited	Controlled by Mr. Fung
WellCell Group Co., Limited	The intermediate holding company

26 RELATED PARTY TRANSACTIONS (Continued)

In the opinion of the Company's directors, the following related party transactions were carried out at terms mutually agreed between the Group and the respective related parties:

(a) Balances with related parties

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Non-trade nature		
Amount due from the intermediate holding company:		
Wellcell Group Co., Limited	**1,181**	1,161
Amounts due to shareholders:		
Mr. Lin	**784**	611
Mr. Jia	**32**	252
Ms. Chen	**—**	39
Mr. Cong	**—**	370
Mr. Fung	**—**	588
	816	1,860

Note: The balances with related parties were unsecured, interest free and repayable on demand. The carrying amounts were denominated in RMB and approximated the fair value.

(b) Key management compensation

Compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Salaries and other short — term employee benefits	**1,729**	1,080
Pension costs — defined contribution plans	**356**	287
	2,085	1,367

27 DIVIDEND

During the years ended 31 December 2022 and 2023, the Group declared and paid dividends to its shareholders of RMB14,603,000 and RMB15,989,000, respectively.

28 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of each director is set out below:

Name of Director	Fees	Salary	Discretionary bonus	Allowances and benefits in kind	Employer's contribution to pension scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2022						
Executive Directors:						
— Jia Zhengyi	—	135	100	15	64	314
— Liu Ping	—	129	—	8	35	172
— Cong Bin	—	123	100	49	66	338
Non-executive director:						
— Lin Qihao	—	—	—	—	—	—
	—	387	200	72	165	824
For the year ended 31 December 2023						
Executive Directors:						
— Jia Zhengyi	**—**	**112**	**10**	**34**	**64**	**220**
— Liu Ping	**—**	**104**	**—**	**32**	**36**	**172**
— Cong Bin	**—**	**99**	**—**	**58**	**68**	**225**
Non-executive Director:						
— Lin Qihao	**—**	**—**	**—**	**—**	**—**	**—**
Independent non-executive Directors:						
— Wu Wing Kuen	**—**	**—**	**—**	**—**	**—**	**—**
— Leung Kwong Sak	**—**	**—**	**—**	**—**	**—**	**—**
— Yu Chi Wing	**—**	**—**	**—**	**—**	**—**	**—**
	—	**315**	**10**	**124**	**168**	**617**

28 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

Dr. Wu Wing Kuen, Dr. Leung Kwong Sak and Mr. Yu Chi Wing were appointed as independent non-executive directors of the Company on 15 December 2023. During the years, the independent non-executive directors did receive any directors' remuneration.

During the years ended 31 December 2022 and 2023, none of the directors of the Company (i) received or paid any remuneration in respect of accepting office; (ii) received or paid emoluments in respect of services in connection with the management of the affairs of the Company or its subsidiaries undertaking; or (iii) waived or has agreed to waive any emolument.

(b) Directors' retirement benefits and termination benefits

During the years ended 31 December 2022 and 2023, no emoluments, retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable.

(c) Consideration provided to third parties for making available directors' services

During the years ended 31 December 2022 and 2023, no consideration was provided to third parties for making available directors' services.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

As at 31 December 2022 and 2023, there were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and controlled entities with such directors.

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as at 31 December 2022 and 2023 or at any time during the years ended 31 December 2022 and 2023.

29 CONTINGENT LIABILITIES

As at 31 December 2022 and 2023, the Group did not have any material contingent liabilities.

30 STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND ACCOMPANYING NOTES

		As at 31 December	
		2023	2022
	Note	**RMB'000**	RMB'000
ASSETS			
Non-current asset			
Investment in subsidiary	(e)	**24**	—
Current assets			
Amount due from the intermediate holding company	(a)	**859**	859
Total assets		**883**	859
EQUITY			
Equity attributable to equity holder of the Company			
Share capital	(b)	**—***	—*
Capital reserve	(d)	**24**	—
Retained earnings	(d)	**692**	723
Total equity		**716**	723
LIABILITY			
Current liabilities			
Other payables and accruals		**18**	56
Amount due to a subsidiary	(c)	**149**	80
Total liabilities		**167**	136
Total equity and liabilities		**883**	859

* The balances were rounded to the nearest thousand.

The above statement of financial position of the Company should be read in conjunction with the accompanying notes.

The financial statements were approved by the board of directors on 28 March 2024 and were signed on its behalf.

Mr. Jia Zhengyi
Director

Mr. Cong Bin
Director

30 STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND ACCOMPANYING NOTES (Continued)

(a) Amount due from the intermediate holding company

Amount due from the intermediate holding company was unsecured, interest-free and repayable on demand. The carrying amounts approximated its fair values and was denominated in RMB.

(b) Share capital

	Number of shares	Nominal value HK$
Share capital of the Company		
Authorised:		
Ordinary shares of HK$0.01	38,000,000	380,000
Issued and fully paid:		
Issue of ordinary shares on 14 September 2021 (date of incorporation) (Note 1.2)	200	2
Issue of ordinary shares on 27 April 2023	200	2
As at 31 December 2023	400	4

On 14 September 2021, 200 ordinary shares were issued for approximately HK$2 pursuant to the Group's Reorganisation as detailed in Note 1.2. As at 31 December 2021 and 2022, total issued number and nominal value of ordinary shares of the Company amounted to 200 shares and HK$2 respectively.

On 27 April 2023, the Company acquired 100% equity interest in WellCell International at a consideration of the issue and allotment of 200 shares to WellCell Group pursuant to the Group's Reorganisation as detailed in Note 1.2.

As at 31 December 2023, total issued number and nominal value of ordinary shares of the Company amounted to 400 shares and HK$4 respectively.

30 STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND ACCOMPANYING NOTES (Continued)

(c) Amount due to a subsidiary

Amount due to a subsidiary was unsecured, interest free and repayable on demand. The carrying amount approximated its fair values and was denominated in RMB.

(d) Reserve movements of the Company

	Capital reserve RMB'000	(Accumulated losses)/ retained earnings RMB'000	Total reserve RMB'000
As at 1 January 2022	—	(40)	(40)
Profit and total comprehensive income for the year	—	763	763
At 31 December 2022 and 1 January 2023	—	723	723
Issuance of ordinary shares pursuant to the Reorganisation	24	—	24
Profit and total comprehensive income for the year	—	15,958	15,958
Dividend paid	—	(15,989)	(15,989)
At 31 December 2023	24	692	716

(e) Investment in subsidiary

The list of subsidiaries of the Company is set out in Note 1.2.

31 SUBSEQUENT EVENTS

On 12 January 2024, 374,999,600 ordinary shares of the Company were allotted to the shareholders (the "Capitalisation issue") pursuant to the resolutions passed by the shareholders' meeting on 15 December 2023.

On 12 January 2024, the Company issued 125,000,000 ordinary shares at a price of HK$1.00 per share as a result of completion of the global offering and the Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

FINANCIAL SUMMARY

For the year ended 31 December 2023

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements in this annual report and the prospectus of the Company dated 28 December 2023, is as follows.

	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Revenue	**255,959**	226,513	203,336	195,570	180,640
Profit before income tax	**23,083**	29,268	30,148	34,712	30,598
Income tax expenses	**(2,686)**	(5,009)	(4,624)	(5,052)	(3,611)
Total comprehensive income for the year attributable to equity holders of the Company	**20,397**	24,259	25,524	29,660	26,987
Asset and liabilities					
Total assets	**183,592**	163,181	149,862	126,681	119,851
Total liabilities	**(98,442)**	(82,439)	(78,776)	(61,165)	(83,995)
Net assets	**85,150**	80,742	71,086	65,516	35,856
Equity attributable to equity holders of the Company	**85,150**	80,742	71,086	65,516	35,856

WELL CELL