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OVERVIEW

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

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

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

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

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

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

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

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

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COMPETITIVE STRENGTHS

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group has a long established business relationships with its suppliers

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

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

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

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Experienced management team

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

BUSINESS STRATEGIES

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

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

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Xinjiang Uygur Autonomous Region

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

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

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

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

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

Yunnan Province

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

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to digital healthcare, digital education, digital industrial management, digital agriculture, digital grain depot and digital tourism. The provincial government also sets to develop three to five 5G-enabled digital factory as pilot projects.

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

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

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

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

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

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

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

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

Sector-focused approach in developing Digitalisation Solution Services business segment

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

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Reasons for expanding to Guangdong Province and Anhui Province markets

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

Guangdong Province

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

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areas in becoming a smart city would be the acceleration of itself in transforming from “e-government” to “smart government” by making use of advanced technologies to facilitate system and data integration data mining and knowledge management for improvement of governmental efficiency. It is therefore anticipated that technology innovation and digital transformation would be observed in Guangdong Province, driving the demand for digitalisation solution services in various key sectors, including the digital surveillance and digital government sectors.

Anhui Province

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

- the “Internet + Government Service” initiative: implementation of a unified digital government affairs platform which serves to enhance the public service efficiency, improve service quality and increasing public users’ satisfaction as part of the government’s action plans to transform from the traditional governance mode to an integrated intelligent and collaborative governance in the new era;
- the “Internet + Education Inclusion” initiative: the upgrading of the education information infrastructure construction and the acceleration of the full implementation of the construction and application of schools with digital education related technologies; and
- the application of new generation information technology for the medical and healthcare sectors initiative: the construction of a distanced medical service platform and related application systems whereby patients and medical and healthcare services providers can be connected over the Internet.

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

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Commercial rationale for strategic acquisitions

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

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

Given that the Group did not undertake any Digitalisation Solution Services projects during the Track Record Period in either Guangdong Province or Anhui Province, its market reputation in these two markets is comparatively limited. As discussed above, pursuing acquisition strategy presents valuable opportunities for the Group to expedite market entry, capitalise on existing customer bases, establish a strong reputation, gain market intelligence, and enhance research and development capabilities. These advantages provide the Group with accelerated growth potential and a competitive edge in target markets. In contrast, pursuing organic growth in a new market may entail initial start-up costs and expose the Group to risks associated with establishing a new subsidiary or branch from scratch. These risks include navigating potentially different business climates and the need to allocate significant existing resources to nurture the new entity. Drawing from the Group’s past experiences in establishing branch offices in markets like Guizhou Province, Shanghai, and Zhejiang Province, the Directors consider that organic

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growth in new markets is a time-consuming process. It typically takes more than three years to establish a presence and build a reputation. This timeline encompasses various activities, such as setting up local offices or subsidiaries, recruiting and training suitable personnel (with a focus on sales, marketing, and research and development), establishing business connections, conducting sales and marketing efforts, and engaging in business development activities. However, the lengthy process of organic growth poses the risk of missing out on opportunities in rapidly growing industries. While organic growth allows for gradual expansion and operational control, it may not align with the speed of growth required to capitalise on market opportunities. Waiting for the organic growth process to unfold could result in falling behind competitors who leverage acquisitions or other strategies for faster market entry.

Selection criteria for potential targets

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

- (a) **Qualification requirements** – It is intended that the target companies should possess the qualifications as a “Double-Soft Enterprise* (雙軟企業)”, being the “Software Product Certificate* (軟件產品登記證書)” and the “Software Enterprise Certificate* (軟件企業證書)”, which would allow the certifications holder to enjoy tax benefits and are considered as recognitions of research and development capabilities.
- (b) **Financial and operational track record** – It is preliminarily intended that each of the target companies should (i) have had achieved a net profit of at least approximately RMB10.0 million, and (ii) have secured at least approximately three digitalisation solution services projects with the Big Three, for each of the three most recent financial years.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Digital technologies have broad applications for both governments and industries and are an integral part of any smart city development as they allow for mundane and routine tasks to be carried out automatically and in a coordinated manner thus allowing human resources to be deployed for more complex tasks. For example, big data analytics, IoT devices, discriminative AI, and blockchain technology together create powerful synergies that significantly enhance the potential of both government and various industry sectors. IoT devices generate vast amounts of real-time data that, when combined with big data analytics, provide valuable insights for informed decision-making. Discriminative AI algorithms facilitate human decision-making processes as it classifies data and analyses statistics by identifying patterns or features in the input data efficiently. Blockchain technology ensures data integrity, transparency, and security, fostering trust and accountability in data-driven processes. By integrating these technologies, governments and industries can optimise operations, drive innovation, and create more sustainable, efficient, and secured ecosystems in an increasingly interconnected world, benefiting the society as a whole. Furthermore, the PRC government is also advocating for the wide application of digital technologies to cities and urban areas as having been reflected in various PRC government policies such as “The Industrial Internet of Thing (IIoT) Development Action Plan (2018-2020)* (工業互聯網發展行動計劃(2018-2020年)”, “The Notice on Promoting the Accelerated Development of 5G* (關於推動5G加快發展的通知)”, “Implementation Opinions

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on Further Deepening Co-construction and Sharing of Telecommunications Infrastructure to Promote High-quality Development of “Double Gigabit” Networks* (關於進一步深化電信基礎設施共建共用促進“雙千兆”網路高品質發展的實施意見)” and “Overall Plan for Digital China Construction* (數字中國建設整體佈局規劃)”.

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

Establishing a research and development centre

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

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

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

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

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

BUSINESS

Hardware equipment and ancillary software systems to be purchased

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

Type and description	Amount of costs to be incurred
	<i>(RMB'000)</i>
<p>(i) <i>Equipment for demonstration and showcase of research and development efforts:</i> The Group intends to purchase additional hardware equipment including humanoid service robot, immersive virtual reality system and digital display systems, mobile digital screens and other projection devices for showcasing its research and development efforts by means of interactive demonstration at the exhibition room, which is expected to be set up inside the research and development centre at the Group's headquarter. With the assistance of these demonstration equipment acting as human user interfaces, the Group's research and development personnel as well as other potential users, visitors and business partners will be able to visualise the applications of the various software systems developed or under development in different sector-specific scenario. These interactive equipment and devices also allow users to view and test run the performance of the software systems by inputting specific instructions and parameters under simulated environment. The Directors believe that it will greatly enhance the process by which sales and marketing activities are carried out as it will enable audiences to better apprehend abstract concept and ideas relating to application of digital technologies. Examples of the major hardware equipment to be purchased include:</p> <ul style="list-style-type: none">• <i>Humanoid service robot:</i> A professional service robot that resembles the human body in shape and is programmable to carry out tasks in different settings which will be primarily used in research projects for demonstration propose;• <i>Immersive virtual reality system:</i> A projection-based virtual reality system that enables users to collaboratively observe, interact with, and manipulate the virtual world objects which will be primarily used for demonstration purpose; and• <i>Digital display systems and mobile digital screens:</i> Interactive display devices which combine the functionality of a traditional display with advanced features such as touch sensitivity, connectivity and other interactive capabilities including screen sharing and monitoring which will be primarily used for demonstration purpose.	7,843

BUSINESS

<u>Type and description</u>	<u>Amount of costs to be incurred</u> (RMB'000)
<p>(ii) Centralised storage and backup devices and server systems for maintaining cloud platform infrastructure: The Group intends to purchase hardware devices and server systems including centralised storage and backup devices and server systems with specific functions (such as server systems for computing, block storage, flash memory storage, graphics rendering acceleration, and security, etc.) that allow and facilitate the development of various underlying capability of 5G-enabled cloud based technologies. Based on the research of the Directors, these devices and systems are essential for the provisioning and management of computing resources for setting up of cloud platform infrastructure which will be utilised by the Group's research and development team to create software platforms offering 5G-enabled software-as-a-service solutions.</p>	6,424
<p>(iii) Server room and other supporting systems: The Group intends to set up an independent server room specifically for housing and securing the various hardware and equipment relating to its research and development activities. It is expected that the server room will be installed with various supporting hardware devices (such as environment monitory devices, power distribution system, air condition and ventilation system), Internet connectivity devices and security systems. The Directors believe that a properly installed and secured server room helps preserve critical and sensitive information and valuable hardware equipment and devices from environmental changes, unauthorised tempering or accidental damage.</p>	2,830
<p>(iv) Equipment and devices to support telecommunications construction related research and development activities: As digitalisation solutions continue to evolve and new technologies emerge, the Directors believe that the telecommunications infrastructure will play an important role in supporting the implementation and growth of the digitalisation solutions industry. As such, the Group intends to acquire various testing and measuring equipment and devices specific for the telecommunications industry which support the undertaking of various telecommunications infrastructure engineering related research and development initiatives of the Group. Examples of the major hardware equipment to be purchased include:</p> <ul style="list-style-type: none"> • <i>Telecommunications testing and measuring equipment:</i> Testing equipment such as transmission testing instrument, wireless network optimisation instrument, network testing instrument, optical cable connectivity tester and multimeter, for verifying proper installation of network cabling which will be primarily used in research projects in relation to telecommunications infrastructure engineering. 	1,860

BUSINESS

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

Additional research and development personnel to be recruited

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

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

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Position	Number	Job responsibilities	Expected annual salary level per staff (Approximately)	Major qualifications and experience required
Research and development director	4	Responsible for the overall management of the research and development centre and facilitate the research and development undertakings of the Group	RMB400,000	<ul style="list-style-type: none"> • Postgraduate degree in computer science or other related field • More than 10 years of software development related work experience • Experience in managing teams with more than 20 members and with more than 3 years of experience in managing software development teams • Rich experience in the implementation of solutions in relation to IoT, big data, AI • Proficiency in relevant development technologies and languages • Familiar with common design workflow
Software architect	2	Responsible for the research and development direction of individual research project, overall design of the software system and interface and preliminary development	RMB300,000	<ul style="list-style-type: none"> • Undergraduate degree in computer science or other related field • 5 to 10 years of software development related work experience • System analysis and software architecture design capabilities • Proficiency in relevant development technologies
Product manager	3	Responsible for designing the user interface, data flow and application of the product and assist in the testing of the product	RMB300,000	<ul style="list-style-type: none"> • Undergraduate degree in computer science or other related field • 5 to 10 years of work experience as a product manager • Experience in product design • Proficiency in statistical analysis and product planning
Requirement engineer	6	Responsible for analysing and specifying the user and system requirements to accommodate the needs of the users in various industries	RMB150,000	<ul style="list-style-type: none"> • Undergraduate degree or above in computer science or other related field • 5 to 10 years of work experience and particularly more than 2 years of work experience in business research, demand analysis, and function design • Proficiency in conducting on-site research and using product design software
Design engineer	4	Responsible for the user experience design and user interface design and visual design of the product	RMB200,000	<ul style="list-style-type: none"> • Undergraduate degree in computer science or other related field • 5 to 10 years of work experience • Proficiency in using product prototype illustration software, graphic design software
Development engineer	10	Responsible for leveraging on customised solutions and research outputs and further developing them as generic products for commercial application	RMB150,000	<ul style="list-style-type: none"> • Undergraduate degree in computer science or other related field • 3 to 5 years of software development work experience • Familiarity with software development technologies and database systems technologies • Coding capabilities

BUSINESS

Position	Number	Job responsibilities	Expected annual salary level per staff <i>(Approximately)</i>	Major qualifications and experience required
Testing engineer	4	Responsible for conducting testing on the product according to a set of testing parameters and providing feedback for necessary adjustments and modifications	RMB100,000	<ul style="list-style-type: none"> • Undergraduate degree in computer science or other related field • 1 to 2 years of software testing experience on various platforms, those with software testing experience at mobile phone manufacturers are preferred • Experience in the testing of mobile phones and tablet products in relation to their functions, performance, stability, automation and other specific features
Maintenance engineer	2	Responsible for the operation and maintenance of the software and hardware, database and server at the research and development centre	RMB100,000	<ul style="list-style-type: none"> • Undergraduate degree in computer science or other related field • 1 to 2 years of maintenance related work experience • Proficiency in basic theoretical knowledge and operation methods such as operating system, cloud platform, virtualisation, network security, database • Proficiency in configuring various routers, switches, firewall equipment, operating system deployment and maintenance of various services • Familiarity with telecommunications equipment • Proficiency in using more than one programming languages • Preference for those possessing virtualisation, operation system, database, and network related professional and technical certifications

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

BUSINESS

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

- *Revenue growth:* By investing in the development of the Digitalisation Solution Services business segment, the Group aims to capitalise on the growing demand for comprehensive digitalisation solutions. This strategic expansion is expected to drive revenue growth as the Group captures market opportunities from digitalisation solution services industry and expands its customer base.
- *Diversification:* Increasing the share of the Digitalisation Solution Services business segment allows for further diversification beyond the Group’s Telecommunications Infrastructure Services. This strategic move helps mitigate the risks associated with market fluctuations in the telecommunications industry and provides the Group with additional revenue streams.
- *Potential impact on profitability:* The Group sees a potential positive impact on its profitability with an increased focus on its Digitalisation Solution Services. These projects often have favorable margins compared to its Telecommunications Infrastructure Services projects. As the Group expects the contribution from the Digitalisation Solution Services business segment to grow, the overall gross profit margin is expected to improve. This strategic shift will allow the Group to pursue higher margin opportunities, leading to a potential improvement in profitability.

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

PRINCIPAL SERVICES AND BUSINESS MODEL

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

BUSINESS

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

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

BUSINESS

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

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

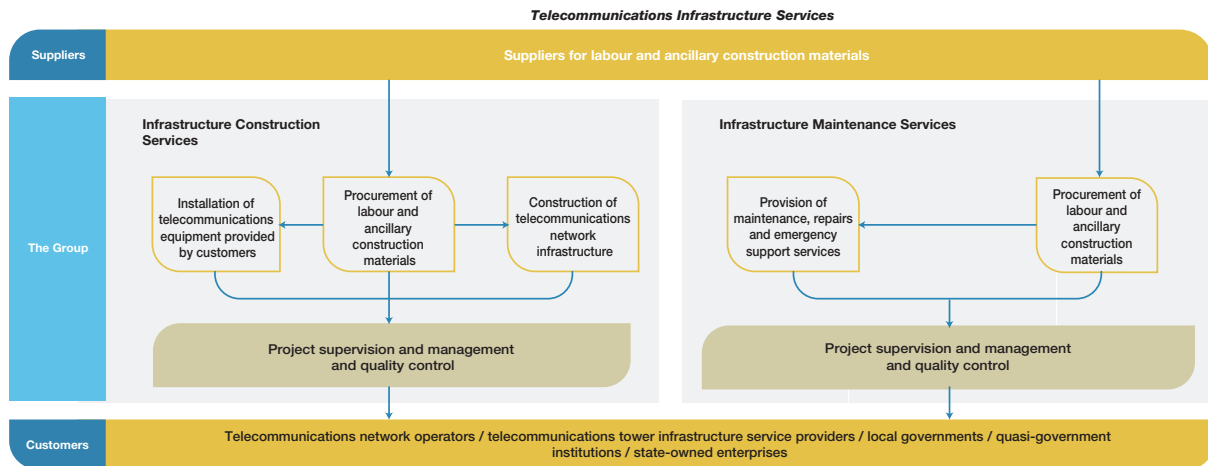
Telecommunications Infrastructure Services

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

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

BUSINESS

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



Infrastructure Construction Services

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

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

BUSINESS

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

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

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

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

Infrastructure Maintenance Services

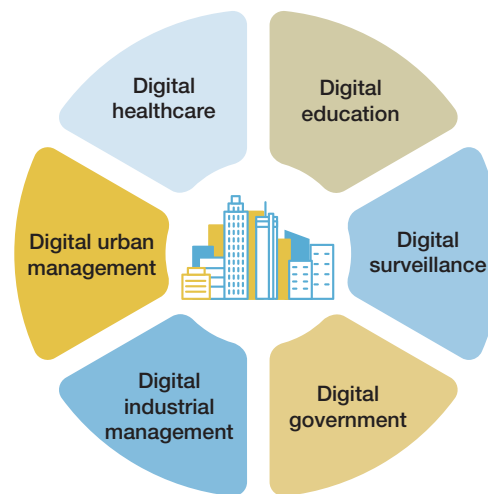
Infrastructure Maintenance Services mainly involve carrying out routine basic maintenance, repairs and restoration works and emergency trouble shooting to the telecommunications infrastructure located across rural and urban areas in the PRC. Routine basic maintenance generally requires the Group to carry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

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

BUSINESS

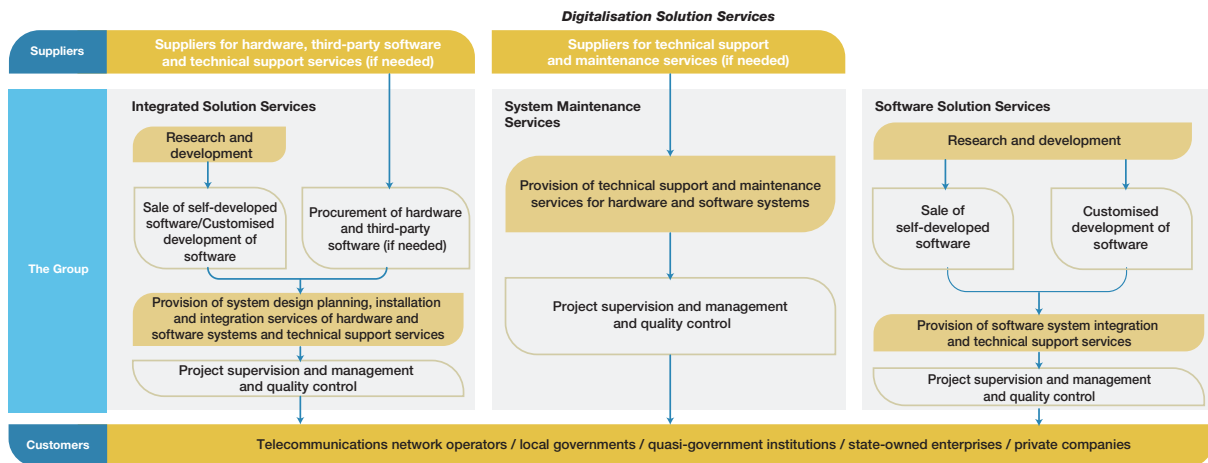
Digitalisation Solution Services

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



BUSINESS

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



Integrated Solution Services

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

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

BUSINESS

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

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

<u>Sector</u>	<u>Relevant Integrated Solution Services project:</u>	<u>Key features which correspond to the sector:</u>
Digital government	Digital city management project (phase 1-operation) agreement in Qingshan Lake District	The Group's digital systems encompass sophisticated features. Examples of the notable modules include: <ul style="list-style-type: none"> • Data analysis leverages big data for comprehensive cross-analysis, statistical queries, and in-depth examination;
Digital surveillance	Digital city management (phase 1-surveillance system integration service agreement)	<ul style="list-style-type: none"> • Blockchain implementation utilised in data security and authentication, fostering decentralised data storage to mitigate data manipulation while preserving traceability; and • Big data enhanced flexibility and efficiency and facilitate highly adaptable and efficient operations.
Digital healthcare	Hospital intelligent informatisation engineering project in Linchuan District	The digital hospital systems provided by the Group leverage advanced software technologies to satisfy the functional requirements of hospitals. Examples of the notable modules include: <ul style="list-style-type: none"> • Medical technology services module – it encompasses components such as (i) radiology information system/picture archiving and communication system, which streamlines storage, management, and sharing of radiology images and data, reducing image loss risks, thereby enabling faster diagnosis and treatment in radiology departments; (ii) endoscopic management, which optimises procedure scheduling, preparation, and documentation, while facilitating equipment utilisation tracking and maintenance oversight, enhancing operational efficiency and patient safety; and (iii) electrocardiogram management, which streamlines data storage, analysis, and dissemination, aiding healthcare professionals in precise cardiac condition detection, diagnosis, and patient progress monitoring, enhancing clinical outcomes and resource efficiency. • Treatment services module – it encompasses components such as (i) hemodialysis management, which optimises hemodialysis treatment scheduling, monitoring, and documentation, enhancing patient safety through meticulous tracking of treatment parameters and outcomes; (ii) surgical anesthesia management, which streamlines planning, administration, and monitoring of anesthesia in surgical procedures, ensuring accurate dosages to mitigate complication risks; and (iii) intensive care management, which enable healthcare professionals to effectively monitor and manage critically ill patients, streamlining vital sign tracking, medication administration, and patient progress, thus bolstering informed decision-making and treatment optimisation.

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

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

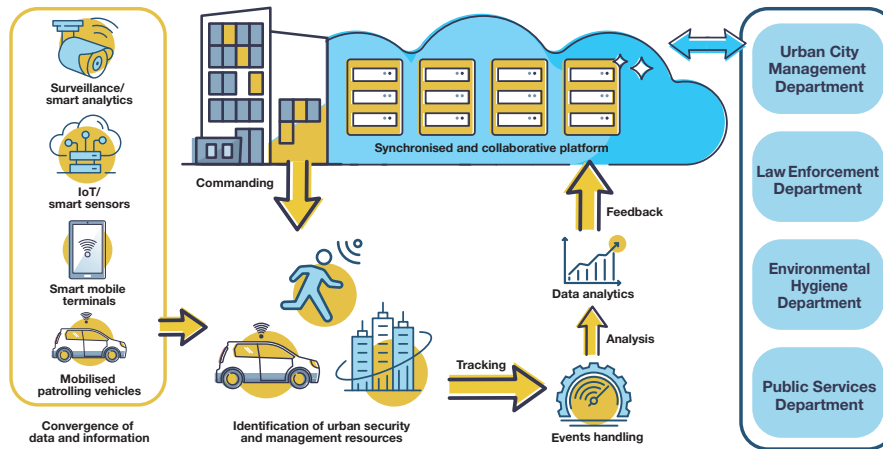
Set out below is a case study example to further illustrate the Group's service offerings under its Integrated Solution Services business sub-segment:

Digital Urban City Management Platform

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

BUSINESS

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



Features and functionalities of the Digital Urban City Management Platform

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

- (a) *Big data collection:* The Digital Urban City Management Platform collects a vast amount of data from diverse sources, including strategically deployed surveillance cameras and sensors. With the ability to integrate different modules, it gathers data related to enforcement and various aspects of urban city management. This includes information on crimes, environmental hygiene and emergency incidents, etc. By comprehensively gathering data, the platform provides a holistic view of the urban security and environment, supporting informed decision-making.
- (b) *Data integration, processing, and analysis:* The Digital Urban City Management Platform excels in seamlessly integrating, processing and analysing the vast amount of data it collects. It establishes a unified framework for effective data management, employing advanced algorithms and statistical techniques. By organising and aggregating the data, the platform uncovers hidden patterns, trends, correlations, and anomalies that are crucial for informed decision-making in enforcement and urban city management. These data-driven insights empower stakeholders to gain a comprehensive understanding of various urban dynamics and optimise their strategies accordingly.
- (c) *Real-time monitoring and predictive analytics:* The Digital Urban City Management Platform offers robust real-time monitoring capabilities, continuously analysing incoming data. Leveraging advanced algorithms and predictive analytics techniques, it swiftly detects and predicts events or situations that require immediate attention. By identifying incident hotspots and abnormal conditions relevant to urban security and management, the platform enables quick and effective response measures. It generates alerts and notifications, ensuring public safety and mitigating risks.

BUSINESS

Major modules of the Digital Urban City Management Platform

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

(a) *Security and crime prevention*

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

(b) *Construction site management*

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

BUSINESS

- On-site noise detection sensors deployed in the construction site are connected to a data acquisition system which converts the analog signals captured into digital format. The digital data is processed by applying techniques like filtering and signal analysis to extract relevant noise level information. Algorithms are utilised to calculate noise levels, and these calculated noise levels are compared against the permissible limits set by local noise regulations. This comparison enables the identification of specific periods or timeframes that the noise levels consistently exceed the acceptable thresholds. This information can enable relevant local government authorities to impose penalties on non-compliant construction companies or implement relevant noise reduction measures near the construction sites to minimise disturbance to nearby residents or businesses.
- On-site dust sensors installed in the construction site are connected to a data acquisition system which processes the digital data by applying techniques such as filtering and calibration to extract dust level information. Dust levels in the construction sites are monitored by using devices connected by IoT technology. Similar to the noise detection sensors, the platform can monitor the amount of discharged pollutants at the construction sites according to the scale and nature of the construction project, taking into account the complexity of the terrain, the wind direction, the layout of pollution sources and the environmental air protection objectives by generating real-time information, alerts and queries in case of abnormalities detected.

(c) Street order management

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

BUSINESS

User interface

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



System Maintenance Services

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

BUSINESS

Software Solution Services

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

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

<u>Sector</u>	<u>Relevant Software Solution Services project:</u>	<u>Key functions which correspond to the sector:</u>
Digital industrial management	Digital industrial park management platform procurement project	<p>The industrial park management platform aims to provide a one-stop solutions platform offering a centralised management tool to manage various business functions within an industrial park. Its key functional modules include but not limited to:</p> <ul style="list-style-type: none"> • Building management module – facilitates the rapid registration, categorisation, and tracking of the industrial park’s fixed assets such as production facilities, venues, offices and residential complexes. • Room management module – complementary with the building management module, it provides precision room management and control down by enabling detailed administration of critical data points, including room-specific rentable space, rental rates, property management fees, occupancy status, and vacancy duration metrics. • Tenant management module – it is designed to enable seamless integration with individual tenants’ account information. It facilitates the configuration and administration of partitioned industrial park zones, promoting efficient and highly targeted management strategies. • Leads management module – it encompasses advanced tracking mechanism for business development information leads, as well as algorithms for configuring and prioritising leads based on client-specific data. The system dynamically displays activated leads, enabling efficient personnel assignment for monitoring business development.

BUSINESS

<u>Sector</u>	<u>Relevant Software Solution Services project:</u>	<u>Key functions which correspond to the sector:</u>
Digital industrial management	2022 industrial cloud platform agreement	<p>The industrial IoT data fusion management platform serves as a digital government solution providing data integration across various application systems. Its key functional modules include but not limited to:</p> <ul style="list-style-type: none"> • Category management module – it intends to streamline the organisation and classification of diverse IoT devices based on their specific functionality, facilitating efficient identification and deployment. • Physical model management module – it intends to manage the digital representation of physical IoT devices, enabling accurate modeling and simulation of device behavior within the platform. • Message transformation module – it intends to convert and standardise communication protocols between IoT devices and the platform, ensuring seamless interoperability and data exchange. • Transparent access module – it intends to enable the direct and secure connection of IoT devices to the platform, while maintaining the original data format, ensuring seamless integration and minimal latency. • Data visualisation module – it intends to translate complex IoT data sets into visually intuitive representations, enabling end users to make informed decisions based on real-time analytics and insights.
Digital telecommunications construction	Visual monitoring and management platform services	<p>The visual monitoring management platform aims to utilise the blockchain credible certificate depository traceability function to monitor and analyse the big data relating to costs, output and progress within the business life cycle of telecommunications construction. Its key functional modules include but not limited to:</p> <ul style="list-style-type: none"> • Personal computer-interface business module – it visualises a user-friendly interface which facilitates the inspection and analysis of raw data related to different stages of an information infrastructure project, presents and analyses detailed performance metrics and payment and receipt information, and generates output value specifics. By providing a comprehensive review and in-depth analysis of these critical data points and key performance indicators, such as financial receipts, operational costs, and overall output value, it enables improved decision-making and project management through advanced computational algorithms. The Directors believe that the platform can allow optimisation of resources and enhance operational efficiency of project management.

BUSINESS

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

<u>Sector</u>	<u>Relevant Software Solution Services project:</u>	<u>Key functions which correspond to the sector:</u>
Digital healthcare	<p>Digital hospital outpatient management platform (stage 1) system integration service procurement agreement</p> <p>Digital hospital inpatient management platform (stage 2) system integration service procurement agreement</p>	<p>The digital hospital outpatient management platform seeks to enhance patient satisfaction, improve clinical efficiency, and reduce operational costs, ultimately transforming the outpatient experience into a more convenient, efficient, and accessible system for both patients and healthcare providers. Its key functional modules include but not limited to:</p> <ul style="list-style-type: none"> • Outpatient registration system – it captures patient demographics and contact details during registration and efficient queue management reduces wait times and ensures smooth patient flow. Integration with electronic health records allows seamless updating and retrieval of medical records. Also, the module generates insightful reports and analytics, allowing hospital administrators to monitor key performance indicators and continuously improve outpatient services. • Inpatient registration system – it provides a seamless process for patient transferring from outpatient care to inpatient care or directly admitting for planned procedures or treatments. Key functions include capturing patient information, assigning beds and rooms, and managing transfers or discharges. This system ensures efficient utilisation of hospital resources, facilitates communication among healthcare providers, and optimises patient care by maintaining accurate and up-to-date medical records throughout the inpatient stay. • Patient record system – it manages and stores comprehensive electronic health records for patients, containing medical history, diagnoses, medications, treatments, and test results. It improves information accessibility, facilitates care coordination among healthcare providers, and supports informed clinical decision-making. Working in tandem with the outpatient and inpatient registration systems, it ensures that newly registered patients' records are created or updated, and that registered patients maintaining consistent and up-to-date records throughout the care journey.

BUSINESS

<u>Sector</u>	<u>Relevant Software Solution Services project:</u>	<u>Key functions which correspond to the sector:</u>
Digital government	Public opinion big data monitoring cloud platform custom development service	<p>The public opinion big data monitoring cloud platform aims to collect, analyse, and visualise vast amounts of online data, including news articles, social media posts, and forum discussions, to track public sentiment and trends related to specific topics, brands, or events. Its key functional modules include but not limited to:</p> <ul style="list-style-type: none"> • Daily hotspot analysis system module – it is designed to identify and analyse trending topics, popular search terms, and viral videos in real-time, providing users with valuable insights into the latest developments and public interests. With key components like selected hotspot information system, the module curates and presents top trending news and articles from various sources. The hot keyword search function features tracking of popular search queries, helping users understand current interests and concerns. Lastly, the trending video tracking function identifies and showcases viral video content, offering a glimpse into what’s capturing the public’s attention. • Intelligence search system module – it aims to provide a comprehensive platform designed to provide users with easy access to a wealth of information, including research reports, industry data, and trending insights. With key components like intelligence search engine, the module enables users to efficiently search and retrieve relevant information from various sources. The data system priorities trending data sets and statistics, helping users to stay informed on the latest developments and popular topics. By integrating these components, the intelligence search system serves to empower organisations and individuals to make informed decisions, gain a competitive edge, and stay ahead in their respective fields.

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

Public Opinion Analysis Software Platform

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

BUSINESS

Features and functionalities of the Public Opinion Analysis Software Platform

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

End-usage of the Public Opinion Analysis Software Platform

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

(a) Example of public use

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

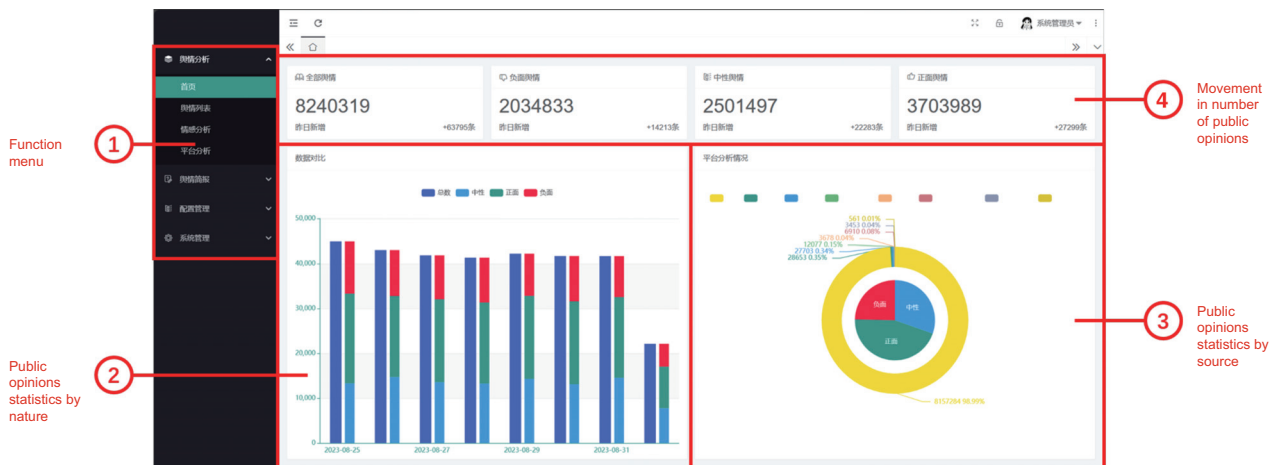
(b) Example of commercial use

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

BUSINESS

User interface

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



SALES AND MARKETING

Sales and marketing

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

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

BUSINESS

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

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

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

BUSINESS

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

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

Pricing policy

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

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

BUSINESS

Credit policy and payment methods

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

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

Seasonality

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

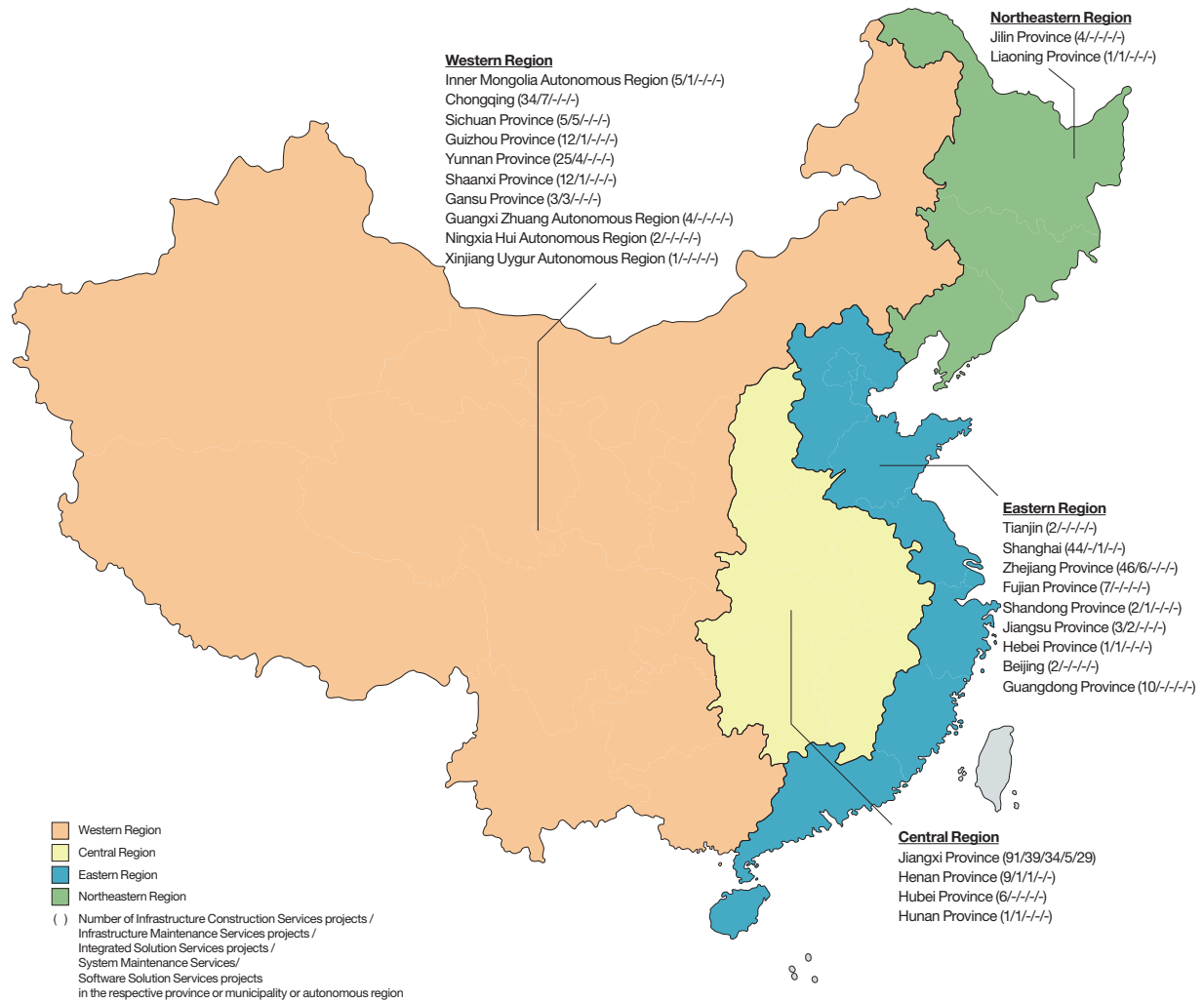
PROJECTS

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

BUSINESS

Geographical distribution of the Group’s projects

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



BUSINESS

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

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

Notes:

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

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

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

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

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

Size of the Group’s projects

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

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

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

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

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

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

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

Movement in number of the Group’s projects

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

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

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Notes:

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

Major Projects

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

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

Completed Projects

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

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

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

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

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

Notes:

1. The contract value refers to the maximum or estimated contract value (inclusive of VAT) as specified in the framework agreement or task specific agreement.
2. Revenue has been recognised after the expiration of the framework agreement or task specific agreement as the customer continued to place additional work order(s) with the Group, and the Group had carried out the required works at the request of the customer.
3. Revenue has only been recognised from the project during the period subsequent to the Track Record Period and up to the Latest Practicable Date.
4. Customer H is a provincial institution responsible for the construction of infrastructure for science and technology development in Jiangxi Province.

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

- (i) The amount of work to be performed by the Group is specified in individual work orders placed by its customers under the framework agreements. The amount of contract value specified in framework agreements typically refers to a maximum or estimated amount. As advised by the PRC Legal Advisers, customers are not obligated to place work orders to meet the maximum or estimated contract value according to the terms of the framework agreement for the Infrastructure Construction Services projects. Therefore, customers have the flexibility to determine the work scope based on their own requirements and may choose not to place additional work orders, thus potentially reducing the overall work scope. As such, the contract value is not a direct indication of the total amount of revenue which would be recognised under the project. As advised by Ipsos, this arrangement is in line with the industry norm within the telecommunications infrastructure industry in the PRC. It involved nine Major Projects with an overall conversion rate of approximately 35.1% calculated by dividing the total revenue (VAT inclusive) recognised up to the Latest Practicable Date by the aggregate maximum contract value under the relevant contracts;
- (ii) Some of the Group's customers had placed fewer work orders with the Group, postponed the completion schedule of the construction works during the prevalence of the COVID-19 pandemic. It involved two Major Projects with an overall conversion rate of approximately 41.9% calculated by dividing the total revenue (VAT inclusive) recognised up to the Latest Practicable Date by the aggregate maximum contract value under the relevant contracts;
- (iii) During the performance of the projects, some of the Group's customers entered into discussions with the local government to re-negotiate on certain details with respect to the implementation plan of the construction works. As such, part of the works were put on hold pending the latest instructions from the customers. It involved three Major Projects with an overall conversion rate of approximately 43.7% calculated by dividing the total revenue (VAT inclusive) recognised up to the Latest Practicable Date by the aggregate maximum contract value under the relevant contracts; and

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

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

On-going Projects

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

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

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

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

Notes:

- The commencement date refers to the date of commencement as specified in the framework agreement or task specific agreement in respect of the project.
- The expected completion date refers to the date of completion as specified in the framework agreement or task specific agreement in respect of the project.
- The contract value refers to the maximum or estimated contract value (inclusive of VAT) as specified in the framework agreement or task specific agreement.
- Revenue has only been recognised from the project during the period subsequent to the Track Record Period and up to the Latest Practicable Date.
- As specified in the framework agreement, the term of the agreement shall be automatically extended if there remains unutilised contract value as at the completion date, which shall become (i) the date when the customer has released the results of its latest centralised procurement exercise for the same type of works, or (ii) when the aggregate amount of revenue recognised under the project has reached the maximum or estimated contract value, whichever is earlier.

BUSINESS

Pre-revenue Projects

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

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

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

Notes:

- The commencement date refers to the date of commencement as specified in the framework agreement or task specific agreement in respect of the project.
- The expected completion date refers to the date of completion as specified in the framework agreement or task specific agreement in respect of the project.
- The contract value refers to the maximum or estimated contract value (inclusive of VAT) as specified in the framework agreement or task specific agreement.
- The Group has yet to receive any work orders from Customer A under this project as at the Latest Practicable Date. Based on the best estimation of the Directors, it is expected that Customer A will issue work orders to the Group during the second half of 2024.
- Customer J is a state-owned enterprise based in Jiangxi Province which principally engages in, among others, provision of Internet data, Internet security and big data services, and research and development of IOT and AI applied software systems.
- The implementation works for this project have been completed, while the completed works are undergoing inspection and acceptance procedures by Customer A. Thus, no revenue has been recognised by the Group as at the Latest Practicable Date, pending completion of such procedures.

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Project backlog

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

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

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

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Notes:

1. For certain Telecommunications Infrastructure Services projects of the Group during the Track Record Period, the contract value was not specified in the relevant agreements, and thus the contract values of such projects would be determined based on the actual quantity of works carried out by the Group pursuant to the relevant work order(s) placed by the customer during the relevant year/period.
2. As the contract value according to the agreement is inclusive of VAT, for the purpose of calculating the project backlog, the revenue recognised during the relevant year/period also includes VAT.
3. A project is considered to be completed when the framework agreement or task specific agreement has expired in accordance with the contract term.
4. Adjustment refers to the value of the additional works carried out by the Group after a project had completed during the preceding years.

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

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

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

BUSINESS

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

Ageing analysis of project backlog

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

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

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

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

BUSINESS

Tender success rate

Telecommunications Infrastructure Services

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

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

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

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

Digitalisation Solution Services

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

CUSTOMERS

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

BUSINESS

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

Telecommunications Infrastructure Services

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

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

Infrastructure Construction Services

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

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

Payments are typically made by way of bank transfers.

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

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

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

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

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

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Infrastructure Maintenance Services

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

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

Digitalisation Solution Services

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

- Type and scope of works: The scope of works and the specifications of the hardware and/or software required by the customer would be broadly set out in the agreement.

- Term: Depending on the complexity of the projects, the project implementation period for the Integrated Solution Services projects could generally last for approximately one to 12 months, while the project implementation period for the Software Solution Services projects generally lasted for approximately one to three months.

- Contract value and rates: The agreement typically sets out the contract value and the unit rates for the hardware and/or software.

- Payment and credit terms: The agreement may include provisions for progress payments at various stages of the project. For certain projects, the Group may be entitled to receive an advance payment (typically 30% or 50% of total contract value) as part payment upon signing of the agreement. However, for projects without an advance payment, the Group is typically entitled to initial payment only after the customer or its agent has completed the inspection and acceptance of the project. The remaining balance is then payable in stages over specific periods of time (e.g. quarterly or every six or 12 months) following project completion. The entire payment cycle for the Group’s Digitalisation Solution Services projects, which comprises payment in stages, typically spans three to five years.

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

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

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

Payments are typically made by way of bank transfers.

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

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

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

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In respect of any software which is the end-product of the Group's customised development services, the ownership of the intellectual property rights associated with the end products shall be transferred to the customers upon provision of the services.

In respect of any third-party software sourced from third-party suppliers, the Group does not own the associated intellectual property rights, and the customers are conferred the licensed right to use such software systems.

Liquidated damages: If the project is delayed due to reason caused by the Group, the Group would be liable to pay liquidated damages. However, if the delay is caused by the customer, such as due to variation of work scope, the Group would normally be entitled to an extension of time.

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

As confirmed by the Directors, during the Track Record Period and up to the Latest Practicable Date, the Group did not experience any material delays in respect of its Telecommunications Infrastructure Services projects or Digitalisation Solution Services projects which may result in damages or compensation being imposed on it. Furthermore, the Directors are not aware of any cancellation of projects or work orders during the Track Record Period and up to the Latest Practicable Date.

Five largest customers

The Group's revenue attributable to its five largest customers in each year during the Track Record Period amounted to approximately RMB476.3 million, RMB409.9 million and RMB592.3 million, representing approximately 99.4%, 99.2% and 97.2% of its total revenue, respectively, while the Group's revenue attributable to its largest customer in each year during the Track Record Period, namely Customer A, amounted to approximately RMB332.9 million, RMB237.7 million and RMB297.3 million for the years ended 31 December 2021, 2022 and 2023, respectively, representing approximately 69.5%, 57.5% and 48.8% of its total revenue, respectively. As at the Latest Practicable Date, the Group's business relationships with each of its five largest customers in each year during the Track Record Period ranged from approximately three to 21 years. Set out below is a breakdown of the Group's revenue attributable to its five largest customers in each year during the Track Record Period:

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Year ended 31 December 2021

Rank	Customer	Background	Principal services provided by the Group	Year of commencement of business relationship	Typical credit terms and payment method <small>(Notes 7, 8)</small>	Transaction amount <small>(RMB'000)</small>	Percentage of total revenue for the year
1	Customer A <small>(Notes 1, 2)</small>	One of the PRC's Big Three telecommunications network operators, which has a subsidiary that is dually listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange. The listed subsidiary principally engages in telecommunications and information related businesses and for the year ended 31 December 2023, its revenue was approximately RMB1,009.3 billion.	Telecommunications Infrastructure Services and Digitalisation Solution Services	2003	For Telecommunications Infrastructure Services: 30 days from receipt of invoice; for Digitalisation Solution Services: 7 days to 3 months, bank transfer	332,929	69.5%
2	Customer B <small>(Notes 1, 3)</small>	One of the PRC's Big Three telecommunications network operators, which has a subsidiary that is dually listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange. The listed subsidiary is principally engaged in the provision of fundamental telecommunications businesses including comprehensive wireline communications services, mobile communications services, value-added telecommunications businesses such as Internet access services, information services and other related services and for the year ended 31 December 2023, its revenue was approximately RMB513.6 billion.	Telecommunications Infrastructure Services and Digitalisation Solution Services	2019	For Telecommunications Infrastructure Services: 30 days from receipt of invoice; for Digitalisation Solution Services: payment by stages up to 60 months, bank transfer	61,071	12.7%
3	Customer C <small>(Notes 1, 4)</small>	The world's largest telecommunications tower infrastructure service provider in 2021, the shares of which are listed on the Main Board of the Stock Exchange. It principally engages in the construction, maintenance and operation of base station ancillary facilities such as telecommunications towers, public network coverage in high-speed railways and subways, and large-scale indoor distributed antenna systems. For the year ended 31 December 2023, its revenue was approximately RMB94.0 billion.	Telecommunications Infrastructure Services	2015	Payable on presentation of monthly invoice, bank transfer	46,886	9.8%
4	Customer D <small>(Notes 1, 5)</small>	One of the PRC's Big Three telecommunications network operators, the shares of which are listed on the Main Board of the Stock Exchange, and is indirectly controlled by a joint stock company incorporated under the laws of the PRC and listed on the Shanghai Stock Exchange. It principally engages in the provision of comprehensive telecommunications services. For the year ended 31 December 2023, its revenue was approximately RMB372.6 billion.	Telecommunications Infrastructure Services and Digitalisation Solution Services	2016	For Telecommunications Infrastructure Services: up to 30 days from receipt of invoice; for Digitalisation Solution Services: up to 15 days from receipt of invoice, bank transfer	24,229	5.1%
5	Customer F <small>(Note 6)</small>	A state-owned joint-stock commercial bank in the PRC, the shares of which are dually listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange and principally provides its customers with various corporate and personal financial products and services. For the year ended 31 December 2023, its net operating income was approximately RMB258.0 billion.	Digitalisation Solution Services	2021	10 days from receipt of invoice, bank transfer	11,176	2.3%
Total						476,291	99.4%

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Notes:

1. Refers to the ultimate customer and its group entities
2. During the year ended 31 December 2021, the Group generated revenue for the provision from services to 50 group entities of Customer A.
3. During the year ended 31 December 2021, the Group generated revenue for the provision from services to six group entities of Customer B.
4. During the year ended 31 December 2021, the Group generated revenue for the provision from services to 18 group entities of Customer C.
5. During the year ended 31 December 2021, the Group generated revenue for the provision from services to seven group entities of Customer D.
6. During the year ended 31 December 2021, the Group generated revenue from the provision of services to one branch office of Customer F.
7. The credit term set out herein is for reference only, and is related only to the framework agreement with the customer which had the largest maximum/estimated contract value during the relevant year. In practice, the customer may have entered into more than one framework agreement with the Group, and the credit term may vary amongst those agreements.
8. The Group typically grants its customers credit periods of up to 30 days pursuant to the agreement. However, as confirmed by the Directors, having considered the business relationships with the customers as well as their established background, the Group generally agrees to extend the credit periods to up to 90 days, in view of the timeframe required for the customers to complete their internal procedures for processing the payments.

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Year ended 31 December 2022

Rank	Customer	Background	Principal services provided by the Group	Year of commencement of business relationship	Typical credit terms and payment method <small>(Notes 7, 8)</small>	Transaction amount <small>RMB'000</small>	Percentage of total revenue for the year
1	Customer A <small>(Notes 1, 2)</small>	One of the PRC's Big Three telecommunications network operators, which has a subsidiary that is dually listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange. The listed subsidiary principally engages in telecommunications and information related businesses and for the year ended 31 December 2023, its revenue was approximately RMB1,009.3 billion.	Telecommunications Infrastructure Services and Digitalisation Solution Services	2003	For Telecommunications Infrastructure Services: up to 30 days from receipt of invoice; for Digitalisation Solution Services: 30 days from receipt of invoice, subject to payment from end user, bank transfer	237,660	57.5%
2	Customer D <small>(Notes 1, 3)</small>	One of the PRC's Big Three telecommunications network operators, the shares of which are listed on the Main Board of the Stock Exchange, and is indirectly controlled by a joint stock company incorporated under the laws of the PRC and listed on the Shanghai Stock Exchanges. It principally engages in comprehensive telecommunications services. For the year ended 31 December 2023, its revenue was approximately RMB372.6 billion.	Telecommunications Infrastructure Services and Digitalisation Solution Services	2016	For Telecommunications Infrastructure Services: up to 30 days; for Digitalisation Solution Services: 30 days, bank transfer	89,403	21.6%
3	Customer C <small>(Notes 1, 4)</small>	The world's largest telecommunications tower infrastructure service provider in 2021, the shares of which are listed on the Main Board of the Stock Exchange. It principally engages in the construction, maintenance and operation of base station ancillary facilities such as telecommunications towers, public network coverage in high-speed railways and subways, and large-scale indoor distributed antenna systems. For the year ended 31 December 2023, its revenue was approximately RMB94.0 billion.	Telecommunications Infrastructure Services and Digitalisation Solution Services	2015	For Telecommunications Infrastructure Services: payable on presentation of invoice; for Digitalisation Solution Services: 14 days, bank transfer	60,816	14.7%
4	Customer B <small>(Notes 1, 5)</small>	One of the PRC's Big Three telecommunications network operators, which has a subsidiary that is dually listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange. The listed subsidiary is principally engaged in the provision of fundamental telecommunications businesses including comprehensive wireline communications services, mobile communications services, value-added telecommunications businesses such as Internet access services, information services and other related services and for the year ended 31 December 2023, its revenue was approximately RMB513.6 billion.	Telecommunications Infrastructure Services and Digitalisation Solution Services	2019	For Telecommunications Infrastructure Services: 30 days from receipt of invoice; for Digitalisation Solution Services: 30 to 180 days, bank transfer	15,581	3.8%
5	Customer F <small>(Note 6)</small>	A state-owned joint-stock commercial bank in the PRC, the shares of which are dually listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange and principally provides its customers with various corporate and personal financial products and services. For the year ended 31 December 2023, its net operating income was approximately RMB258.0 billion.	Digitalisation Solution Services	2021	10 days, bank transfer	6,416	1.5%
Total						409,876	99.2%

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Notes:

1. Refers to the ultimate customer and its group entities.
2. During the year ended 31 December 2022, the Group generated revenue from the provision of services to 52 group entities of Customer A.
3. During the year ended 31 December 2022, the Group generated revenue from the provision of services to 13 group entities of Customer D.
4. During the year ended 31 December 2022, the Group generated revenue from the provision of services to 31 group entities of Customer C.
5. During the year ended 31 December 2022, the Group generated revenue from the provision of services to seven group entities of Customer B.
6. During the year ended 31 December 2022, the Group generated revenue from the provision of services to two branch offices of Customer F.
7. The credit term set out herein is for reference only, and is related only to the framework agreement with the customer which had the largest maximum/estimated contract value during the relevant year. In practice, the customer may have entered into more than one framework agreement with the Group, and the credit term may vary amongst those agreements.
8. The Group typically grants its customers credit periods of up to 30 days pursuant to the agreement. However, as confirmed by the Directors, having considered the business relationships with the customers as well as their established background, the Group generally agrees to extend the credit periods to up to 90 days, in view of the timeframe required for the customers to complete their internal procedures for processing the payments.

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Year ended 31 December 2023

Rank	Customer	Background	Principal services provided by the Group	Year of commencement of business relationship	Typical credit terms and payment method <small>(Notes 7, 8)</small>	Transaction amount <small>RMB'000</small>	Percentage of total revenue for the year
1	Customer A <small>(Notes 1, 2)</small>	One of the PRC's Big Three telecommunications network operators, which has a subsidiary that is dually listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange. The listed subsidiary principally engages in telecommunications and information related businesses and for the year ended 31 December 2023, its revenue was approximately RMB1,009.3 billion.	Telecommunications Infrastructure Services and Digitalisation Solution Services	2003	For Telecommunications Infrastructure Services: up to 30 days from receipt of invoice; for Digitalisation Solution Services: 30 days from receipt of invoice, subject to payment from end user, bank transfer	297,250	48.8%
2	Customer D <small>(Notes 1, 3)</small>	One of the PRC's Big Three telecommunications network operators, the shares of which are listed on the Main Board of the Stock Exchange, and is indirectly controlled by a joint stock company incorporated under the laws of the PRC and listed on the Shanghai Stock Exchanges. It principally engages in comprehensive telecommunications services. For the year ended 31 December 2023, its revenue was approximately RMB372.6 billion.	Telecommunications Infrastructure Services and Digitalisation Solution Services	2016	For Telecommunications Infrastructure Services: up to 30 days; for Digitalisation Solution Services: 30 days, bank transfer	132,080	21.7%
3	Customer C <small>(Notes 1, 4)</small>	The world's largest telecommunications tower infrastructure service provider in 2021, the shares of which are listed on the Main Board of the Stock Exchange. It principally engages in the construction, maintenance and operation of base station ancillary facilities such as telecommunications towers, public network coverage in high-speed railways and subways, and large-scale indoor distributed antenna systems. For the year ended 31 December 2023, its revenue was approximately RMB94.0 billion.	Telecommunications Infrastructure Services and Digitalisation Solution Services	2015	For Telecommunications Infrastructure Services: payable on presentation of invoice; for Digitalisation Solution Services: 14 days, bank transfer	126,362	20.7%
4	Customer B <small>(Notes 1, 5)</small>	One of the PRC's Big Three telecommunications network operators, which has a subsidiary that is dually listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange. The listed subsidiary is principally engaged in the provision of fundamental telecommunications businesses including comprehensive wireline communications services, mobile communications services, value-added telecommunications businesses such as Internet access services, information services and other related services and for the year ended 31 December 2023, its revenue was approximately RMB513.6 billion.	Telecommunications Infrastructure Services and Digitalisation Solution Services	2019	For Telecommunications Infrastructure Services: 30 days from receipt of invoice; for Digitalisation Solution Services: 30 to 180 days, bank transfer	22,747	3.7%
5	Customer I	A group entity of the fourth largest telecommunications network operator in the PRC, a state-owned enterprise, which officially commenced its telecommunication network operation business in October 2020 after it has obtained the requisite license from the government and primarily operates a 5G network and a nationwide cable TV network in the PRC. Customer I has a registered capital of approximately RMB132.8 billion.	Digitalisation Solution Services	2023	30 days, bank transfer	13,876	2.3%
Total						592,315	97.2%

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Notes:

1. Refers to the ultimate customer and its group entities.
2. During the year ended 31 December 2023, the Group generated revenue from the provision of services to 54 group entities of Customer A.
3. During the year ended 31 December 2023, the Group generated revenue from the provision of services to 18 group entities of Customer D.
4. During the year ended 31 December 2023, the Group generated revenue from the provision of services to 31 group entities of Customer C.
5. During the year ended 31 December 2023, the Group generated revenue from the provision of services to 10 group entities of Customer B.
6. The credit term set out herein is for reference only, and is related only to the framework agreement with the customer which had the largest maximum/estimated contract value during the relevant year. In practice, the customer may have entered into more than one framework agreement with the Group, and the credit term may vary amongst those agreements.
7. The Group typically grants its customers credit periods of up to 30 days pursuant to the agreement. However, as confirmed by the Directors, having considered the business relationships with the customers as well as their established background, the Group generally agrees to extend the credit periods to up to 90 days, in view of the timeframe required for the customers to complete their internal procedures for processing the payments.

The Directors confirm that each of the Group's five largest customers in each year during the Track Record Period are Independent Third Parties and none of the Directors, or their close associates or any Shareholder holding more than 5% of the Company's issued share capital had any interests in any of the Group's five largest customers in each year during the Track Record Period. To the best knowledge of the Directors having made all reasonable enquiries, none of the Group's five largest customers in each year during the Track Record Period was also its supplier during the Track Record Period.

Historical concentration in revenue derived from the Group's five largest customers in each year during the Track Record Period

Telecommunications network operators are important to the PRC government. The telecommunications industry is considered a strategic sector that is closely tied to national security and stability, as it plays a critical role in the flow of information and communication within the country. Telecommunications network operators in the PRC are responsible for providing the infrastructure and services that enable communication and information exchange, including voice and data transmission, internet access, and mobile services. As such, they are in a position to collect, store, and transmit large amounts of sensitive information, including personal data, financial information, and government communications. The PRC government has implemented tight control over the telecommunications industry to ensure that national security concerns are addressed, including the allocation of licenses and spectrum. This control has led to a limited number of players in the market, as the government allocates licenses and spectrum only to a select few players including, Customer A, Customer D and Customer B, being the Big Three. It was only until October 2020 the fourth largest telecommunications network operator officially commenced the telecommunications network operation business after it has obtained the requisite license from the PRC government. In spite of this, as advised by Ipsos, the limited competition in the industry gives these players greater bargaining power in their partnerships with telecommunications infrastructure services providers.

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During the Track Record Period, the Group’s revenue was relatively concentrated and largely attributable to Customer A, Customer D, Customer C and Customer B, which in aggregate amounted to approximately RMB465.1 million, RMB403.5 million and RMB578.4 million, representing approximately 97.1%, 97.7% and 94.9% of its total revenue, respectively. The Directors consider that the Group’s concentration in revenue is largely attributable to the limited number of telecommunications network operators in the PRC’s telecommunications industry as mentioned above, essentially taken up almost all of the market share. Furthermore, according to the Ipsos Report, while the PRC government has taken steps to open up the telecommunications industry for private investment in recent years, due to the extremely high entry barriers attributable to the significant investment in infrastructure, technology and expertise, the former triopoly of the Big Three, which now becomes the quadropoly with the recent addition of the fourth largest telecommunications network operator, is expected to remain in the foreseeable future. The Big Three together with the world’s largest telecommunications tower infrastructure service provider had accounted for over 90% of the completed investment in the telecommunications infrastructure services in the PRC. In light of this, as advised by Ipsos, it is common for integrated service providers such as the Group who primarily act for telecommunications network operators and telecommunications tower infrastructure service providers to have a high revenue concentration on a few customers.

Customer A is the largest customer of the Group in each year during the Track Record Period, the Group’s revenue attributable to Customer A amounted to approximately RMB332.9 million, RMB237.7 million and RMB297.3 million, representing approximately 69.5%, 57.5% and 48.8% of the Group’s total revenue for each of the years ended 31 December 2021, 2022 and 2023, respectively. The Directors believe that the high revenue contribution from Customer A is largely due to the fact that (i) the Group is based and the majority of its projects are located in Jiangxi Province where Customer A enjoys a dominant market position; and (ii) the Group had established a relatively long business relationship with Customer A compared with other telecommunications network operators.

The gross profit margin for the Group’s projects with Customer A for the years ended 31 December 2021, 2022 and 2023, was approximately 14.3%, 15.9% and 20.9%, respectively. The gross profit margin for Customer A slightly increased from approximately 14.3% for the year ended 31 December 2021 to approximately 15.9% in 2022, which was primarily attributable to the completion of a Software Solution Services project involving customised development of software for the digital government sector in 2022 which incurred minimal project costs. Such increase was partially offset by the absence of recognition of revenue from Integrated Solution Services projects and the continuous increase in costs of ancillary construction materials such as cables and wires. The Group’s gross profit margin for Customer A for the year ended 31 December 2023 continued to increase to approximately 20.9% due to (i) the practical completion of works under several Infrastructure Construction Services projects in 2023 involving provision of power grid connection services, access network related services and wireless network equipment installation works which had a higher gross profit margin due to high complexity and specialised skills required, and (ii) the completion of an increased number of Digitalisation Solution Services projects in 2023, which had a high gross profit margin, when compared to that in 2022.

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Customer A is one of the world's largest telecommunications companies, with a significant presence in the PRC, its corporate structure is designed to enable efficient and effective management and operations while maintaining centralised control and oversight at the top level. In general, Customer A is organised into a headquarters and several regional companies, such as subsidiaries or branches at province-level or city-level. The headquarters is responsible for overall strategy and management, while the regional companies are responsible for managing the telecommunications infrastructure and services within their respective regions, including the construction and maintenance of network infrastructure and the provision of telecommunications services to customers. The Directors believe that this structure enables Customer A to efficiently manage its operations while ensuring that it can respond to local market conditions and requirements. The Group had provided services for 50, 52 and 54 subsidiaries/branches of Customer A for the years ended 31 December 2021, 2022 and 2023, respectively, and no single subsidiary/branch of Customer A had contributed revenue that accounted for more than 20% of the Group's total revenue in the corresponding years. During the Track Record Period and up to the Latest Practicable Date, there has been no material change in the principal project terms with Customer A, which were governed by individual framework agreements between the Group and Customer A on a project-by-project basis, and as confirmed by the Directors, there has been no failed projects with Customer A.

The Group has maintained a continuous, sustainable and mutually beneficial business relationship with Customer A for over 20 years and that its business with Customer A will continue to grow over time. The Directors consider that the Group's sound business relationship with Customer A is a testament to its ability in providing quality services and solutions, and its capabilities is further reflected in the fact that the Group had received multiple industry awards relating to its performance including awards from Customer A and other customers, signifying its role as an excellent service provider. In addition, according to the Ipsos Report, there are multiple entry barriers to the telecommunications integrated service industry limiting the number of market players, including (i) a strong capital position, as a typical project involves significant upfront commitment of resources and capital and the payment process can be lengthy and delays may occur; (ii) a proven track record, as market players are required to demonstrate their competence and experience in the field during the tender process; and (iii) specific licenses, which are required for a company to participate in the projects of the key market players in the telecommunications infrastructure services industry. Having considered the foregoing, the Directors believe that the Group is one of the key service providers in the PRC headquartered in Jiangxi Province and cannot be easily supplanted by other market players. Furthermore, the Directors are of the view that the regional companies of telecommunications network operators have autonomy to invite and decide tenders for the projects within their respective regions, thereby preventing any large scale inter-regional material failures or omissions in the works performed. In case the Group failed a particular project in a particular region, the Group will still be eligible to tender and continue its business relationship with other regional subsidiaries/branches of Customer A, effectively mitigating the risk from high revenue concentration.

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Notwithstanding the above, the Group has devoted extensive efforts to reducing its reliance on Customer A through expanding its business with Customer C, Customer D and Customer B. For the years ended 31 December 2021 and 2022, the aggregate revenue derived from Customer C, Customer D and Customer B increased from approximately RMB132.2 million for the year ended 31 December 2021 to approximately RMB165.8 million for the year ended 31 December 2022, and further increased to approximately RMB281.2 million for the year end 31 December 2023, which accounted for approximately 27.6%, 40.1% and 46.1% of the Group's total revenue during the corresponding years. Among the Group's 52 Pre-revenue Projects as at the Latest Practicable Date, 32 were for Customer C, Customer D and Customer B and of which 26 were Infrastructure Construction Services projects, four were Infrastructure Maintenance Services projects and two were Digitalisation Solution Services projects.

Following the [REDACTED], the Group endeavours to continue to expand its business with other major customers so as to reduce its reliance on any single customer. The Group is actively pursuing the collaboration with the fourth largest telecommunications network operator in the PRC which holds a significant position within the industries as it operates a 5G network and a nationwide cable TV network. The Group also intends to further develop its Digitalisation Solution Services business segment where apart from telecommunications network operators and telecommunications tower infrastructure service provider, its customers included, local government, quasi-government institutions, state-owned enterprises and private companies. Revenue derived from these other customers during the Track Record Period amounted to approximately RMB13.1 million, RMB6.4 million and RMB14.2 million, representing approximately 11.5%, 9.1% and 11.7% of the Group's revenue derived from the provision of Digitalisation Solution Services.

The Group's customer who are also its supplier

The Group's five largest customers in each year during the Track Record Period included the Big Three, which are the three largest telecommunications network operators in the PRC, and the world's largest telecommunications tower infrastructure service provider in 2022. Due to the nature of the Group's Telecommunications Infrastructure Services projects, the Group may on a few occasions be required to pay for the service fees for certain telecommunications services (such as mobile telecommunications services and Internet network resources) provided by Customer D to enable the Group to perform the services required under such projects. During the Track Record Period, (i) the revenue generated from provision of services to Customer D, who is also one of the Group's suppliers, amounted to approximately RMB24.2 million, RMB89.4 million and RMB132.1 million, respectively, representing approximately 5.1%, 21.6% and 21.7% of the total revenue, respectively; (ii) the gross profit generated from the same amounted to approximately RMB4.8 million, RMB41.9 million and RMB38.9 million, representing approximately 5.3%, 40.4% and 26.1% of the total gross profit, respectively; and (iii) the gross profit margin generated thereof was approximately 20.0%, 46.8% and 29.4%, respectively. The Group's purchases from Customer D during the Track Record Period amounted to approximately RMB77,000, nil and nil, respectively, which the Directors believe to be insignificant.

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SUPPLIERS

During the Track Record Period, the Group's suppliers mainly consisted of its (i) labour suppliers which would supply labour and ancillary construction materials for the Group's projects and perform the required tasks as specified in the relevant contracts; and (ii) hardware and software suppliers who would supply hardware (such as cables, switches, cameras, biometric scanners, monitors, computers and data storage and processing system), third-party software and technical support and maintenance services. For the years ended 31 December 2021, 2022 and 2023, the Group's total procurement costs amounted to approximately RMB393.2 million, RMB310.4 million and RMB473.1 million, respectively.

Labour suppliers

During the Track Record Period, the Group generally engaged labour suppliers to supply labour services for its Telecommunications Infrastructure Services projects. As advised by the PRC Legal Advisers, the engagement of labour suppliers by the Group does not constitute subcontracting in nature, and the labour suppliers are not considered as the Group's subcontractors. The primary reasons are as follows: (i) during the performance of the project, the Group retained control over the core management and technical aspects in relation to its Telecommunications Infrastructure Services, and the workers of the labour suppliers would typically only carry out sporadic, non-core but labour-intensive on-site works under the instructions and supervision of the Group's project management team and project manager designated for the projects; (ii) the Group is ultimately responsible to its customers for the works under the project (including the works completed by its labour suppliers), and it independently assumes contractual responsibilities (as opposed to assuming joint and several liability with the labour suppliers); and (iii) engaging labour suppliers on a large scale is an industry practice within the telecommunications infrastructure and maintenance services industry in the PRC. Further, as confirmed by the PRC Legal Advisers, the Group has not been involved in or experienced any disputes, litigations, penalties or breach of the framework agreement with its customers in respect of the engagement of labour suppliers to supply labour services.

Under the Group's agreement with its labour suppliers, they would be responsible for arranging for sufficient workers and completing the works under the instructions of the Group's project managers. Typically, the Group would engage the labour suppliers for completing the on-site labour intensive works, such as construction of base station towers, excavation of cable trenches, laying of cables, installation and demolition of telecommunications equipment, and transportation of materials and supplies. The labour suppliers would also generally be responsible for the provision of ancillary construction materials needed for the Group's Telecommunications Infrastructure Services projects while the Group would remain responsible for the core aspects of the projects such as overall project management and implementation, testing and inspection as well as quality control. The Directors believe that through the use of labour provided by the Group's labour suppliers, the Group can better allocate its skilled labour and reduce its administrative works and fixed costs to maintain a large number of workers thus achieving higher operational efficiency as well as greater cost savings and increase its profitability. To further illustrate the above, the Group's Telecommunications Infrastructure Services projects are labour intensive and are situated across Central Region, Western Region, Eastern Region and Northeastern Region of the PRC. Given the varied locations of the Group's projects, it would not be easy to manage a considerable number of workers across the various regions nor economically feasible to directly maintain a significant labour force which would

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need to be constantly redeployed elsewhere upon completion of a project or otherwise laid off. In light of that, it is therefore highly beneficial to the operation of the Group to engage labour suppliers locally where the projects are located. According to the Ipsos Report, it is common in the telecommunications industry for infrastructure service providers such as the Group to engage labour suppliers as it enables them to better focus on core aspects of a project as mentioned above and catering to ad hoc customer needs while allowing it to reduce its overall overhead costs.

The Group maintains a list of approved labour suppliers that are selected based on a number of criteria including but not limited to their scale of workforce, location and qualifications (including possessing the requisite qualifications or licences which typically include the Qualification Certificate of Construction Enterprise (建築業企業資質證書) and Work Safety License (安全生產許可證) issued by the relevant authorities in the PRC for carrying out the required tasks involved in the Group’s projects). When selecting the appropriate labour suppliers for use in its projects, the Group would obtain quotations from multiple suppliers on the approved list. After considering the nature, pricing and location of the relevant project, the Group would select the most appropriate labour supplier. In order to ensure the quality of the Group’s labour suppliers, the Group will generally require the labour suppliers to report to the Group on a monthly basis and the Group’s project managers will closely monitor and review the works of its labour suppliers to ensure their adherence to the plans and specifications as outlined in the relevant agreements and/or work orders and the standard of the Group’s customers. Where the labour supplier fails to perform as required, it will be reported to the Group’s management and the Group will take appropriate actions which may include (i) carrying out discussions to understand their reasons for their delay or under performance, (ii) deploying the Group’s direct staff to assist in carrying out the requisite tasks and/or (iii) replacing the labour supplier to ensure that no further delay or material issues will arise. The Directors confirm that during the Track Record Period and up to the Latest Practicable Date, the Group did not experience any material delay or issue due to the failure of its labour suppliers in performing as required.

As at the Latest Practicable Date, the Group maintained a list which contained over 60 approved labour suppliers whom the Group would engage from time to time. The list would be reviewed periodically by the management of the Group in light of the above factors and underperforming labour suppliers would not be engaged by the Group for new projects, and new qualified labour suppliers may be added to the list.

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Salient terms of framework agreements entered into with the Group's labour suppliers

The Group typically enters into framework agreements with the labour suppliers which would set out the basic terms of their engagement. Set out below are the salient terms of a typical framework agreement entered into between the Group and its labour suppliers during the Track Record Period:

Type and scope of works: The scope of works that the labour supplier is expected to perform is broadly set out in the framework agreement and will be further specified in the work order(s) to be placed or the specific task agreement(s) to be entered into by the Group with the labour supplier during the term of the framework agreement.

Term The term of the framework agreement typically lasts for one year. Depending on the length of implementation period of the Group's project, the Group would typically renew the framework agreement with its labour supplier on an annual basis by mutual agreement.

Payment and credit terms: Payments are made by way of bank transfers.

The labour supplier would generally extend to the Group a credit period of 30 to 45 days from the date of the Group's receipt of payments from its customers.

Quality and default liability period: If the quality of the work completed by the labour supplier fails to meet the standards of the Group or its customer, the labour supplier is responsible for the rectification of the defects and the associated costs. The labour supplier may also be required to provide a defect liability period for a term commensurate with that provided by the Group to its customer under the same project.

Performance bond: The Group may request the labour supplier to provide a performance bond in favour of the Group, which may be provided by way a bank guarantee, in accordance to the amount as set out in the work orders to be placed by the Group. The funds represented by the bond less any deduction of liquidated damages (if any) would be released to the labour supplier without interest (i) within 30 days from the expiration of the framework agreement, or (ii) if the Group has provided performance bond to its customer in respect of the same project, after the return of the same from its customer, whichever is the later.

Liquidated damages: The labour supplier would be liable to pay liquidated damages for each day it delayed the schedule of the project.

BUSINESS

Termination: Generally, the Group is entitled to terminate the framework agreement and the work orders in the event of: (i) change in the responsible manager of the labour supplier without the Group's consent; (ii) material delay in the project schedule caused by the labour supplier; (iii) failure to timely rectify sub-standard work as instructed; (iv) subcontracting without the Group's consent; or (v) breach of representations and warranties by the labour supplier where the objectives could no longer be achieved.

Either party is entitled to terminate the framework agreement and the work orders in the event of (i) force majeure; (ii) breach of contract by the other party; or (iii) termination or suspension of construction by the Group's customer.

After entering into a framework agreement, the Group would in turn, based on the work order received from its customers, place a separate work order which would set out the relevant terms such as the contract value, type, location and scope of the work to be completed by the labour supplier as well as the target completion date and the payment terms. In other circumstances, the Group may enter into task specific agreements with its labour suppliers which would generally set out terms such as contract value, type and scope of works, term, payment and credit terms, liquidated damages and insurance. For payment terms, although the work order would generally stipulate that the Group would generally provide its labour supplier an advance payment of approximately 50% of the contract value as stipulated in the work order within 15 days after the commencement of works, in practice, according to the framework agreement, the suppliers would generally extend to the Group a credit period of 30 to 45 days from the date of the Group's receipt of payments from its customers. After the works are accepted by the Group's customers at settlement audit and expiry of the defect liability period, the Group's customers would pay the Group accordingly and the Group would then pay the remaining balance of the contract value to the labour suppliers. If performance bond has been provided, it would generally be released to the labour supplier after the expiration of the framework agreement, or if the Group has also provided performance bond to its customer, after the release of the same from its customer, whichever is the later.

As confirmed by the Directors, during the Track Record Period, the Group did not experience any material litigation or dispute relating to late payments to its labour suppliers which would have a material impact upon its business operations and financial condition.

BUSINESS

Hardware and software suppliers

The materials and equipment required by the Group in carrying out works under its Telecommunications Infrastructure Services projects during the Track Record Period primarily consisted of (i) telecommunications equipment, which would generally be provided by its customers, and (ii) ancillary construction materials, such as cement, reinforcement steels and screws, which would generally be provided by the labour suppliers. For the hardware and third-party software systems required in the Group's Integrated Solution Services projects, the relevant agreements with the Group's customers would typically include a list which sets out the specifications such as the name, brand and product code of the hardware and where applicable, the third-party software required, and the Group will source such hardware and software from its approved suppliers or suppliers designated by the customers.

When selecting and approving suppliers, the Group follows a comprehensive evaluation process that typically involves obtaining quotations from more than three suppliers for comparison. The Group takes into account a range of factors during the process, including (i) the price, quantity, variety and specifications of hardware and third-party software they offer, and (ii) the payment and delivery terms. Where possible, the Group strives to source the required hardware, such as monitors, surveillance cameras, cables, data storage systems and other materials, and third-party software systems from a wide range of suppliers so as to reduce its reliance on any single supplier and to guard against any shortages.

The Group typically places order with its hardware and software suppliers after securing a project. During the Track Record Period, the Group did not enter into any long-term purchase agreements with its hardware and software suppliers, however, it would generally enter into legally binding agreements with its hardware and software suppliers on an order-by-order basis. The prices at which the Group's hardware and third-party software systems were supplied were generally determined by reference to the market price. Where there is a material increase in the price of such hardware and/or software systems after the contract has been awarded to the Group but prior to the Group entering into contract with the hardware and software supplier, the Group will generally need to assume the difference. However, when determining the offer price, the Group would generally consider various factors such as price trends to guard against material fluctuations in the costs of procurement. Prepayment is usually required depending on the type, quantity and specifications of the hardware and software procured. Generally, the Group is required to pay for the balance after the delivery. The hardware and software suppliers typically grant the Group a credit period of up to 15 days upon delivery.

As confirmed by the Directors, during the Track Record Period up to the Latest Practicable Date, the Group did not experience any material storage of, or material difficulties in procuring materials as well as any fluctuations in the costs of its materials which had a material impact upon its business operations and financial conditions.

BUSINESS

Five largest suppliers

During the Track Record Period, the Group’s procurement costs incurred which were attributable to its five largest suppliers in each year amounted to approximately RMB229.3 million, RMB222.5 million and RMB294.3 million, representing approximately 58.3%, 71.7% and 61.8% of its total purchases, while the procurement costs incurred which were attributable to the Group’s largest supplier in each year during the Track Record Period amounted to approximately RMB128.3 million, RMB100.2 million and RMB91.6 million, representing approximately 32.6%, 32.3% and 19.2% of its total purchases, respectively. As at the Latest Practicable Date, the Group’s business relationships with each of its five largest suppliers in each year during the Track Record Period ranged from approximately two to nine years. Set out below is a breakdown of the Group’s procurement costs incurred which were attributable to its five largest suppliers in each year during the Track Record Period:

Year ended 31 December 2021

Rank	Supplier	Background	Principal services/ products provided to the Group	Year of commencement of business relationship	Typical credit terms and payment method ^(Note)	Transaction amount	Percentage of total purchases for the year
						<i>RMB'000</i>	
1	Supplier A	A private company based in Jiangxi Province with registered share capital of RMB30.0 million and principally engages in provision of labour services	Labour services	2015	50% prepayment within 15 days of commencement of works; 40% within 30 days of final inspection; and 10% upon expiry of defect liability period, bank transfer	128,316	32.6%
2	Supplier C	A private company based in Guizhou Province with registered share capital of RMB2.0 million and principally engages in provision of labour services	Labour services	2019	50% prepayment within 15 days of commencement of works; 40% within 30 days of final inspection; and 10% upon expiry of defect liability period, bank transfer	31,544	8.0%
3	Supplier F	A private company based in Shanghai with registered share capital of RMB11.0 million and principally engages in provision of labour services	Labour services	2019	50% prepayment within 15 days of commencement of works; 40% within 30 days of final inspection; and 10% upon expiry of defect liability period, bank transfer	31,384	8.0%
4	Supplier G	A private company based in Jiangxi Province with registered share capital of RMB8.0 million and principally engages in provision of labour services	Labour services	2021	50% prepayment within 15 days of commencement of works; 40% within 30 days of final inspection; and 10% upon expiry of defect liability period, bank transfer	22,568	5.7%
5	Supplier B	A private company based in Jiangxi Province with registered share capital of RMB20.0 million and principally engages in provision of labour services	Labour services	2015	50% prepayment within 15 days of commencement of works; 40% within 30 days of final inspection; and 10% upon expiry of defect liability period, bank transfer	15,476	4.0%
					Total	229,287	58.3%

Note: The credit term set out herein is for reference only, and is related only to the individual work orders placed by the Group to its labour supplier. In practice, according to the framework agreement, the supplier would generally extend to the Group a credit period of 30 to 45 days from the date of the Group’s receipt of payments from its customers.

BUSINESS

Year ended 31 December 2022

Rank	Supplier	Background	Principal services/ products provided to the Group	Year of commencement of business relationship	Typical credit terms and payment method ^(Note)	Transaction amount RMB'000	Percentage of total purchases for the year
1	Supplier C.	A private company based in Guizhou Province with registered share capital of RMB2.0 million and principally engages in provision of labour services	Labour services	2019	50% prepayment within 15 days of commencement of works; 40% within 30 days of final inspection; and 10% upon expiry of defect liability period, bank transfer	100,164	32.3%
2	Supplier A.	A private company based in Jiangxi Province with registered share capital of RMB30.0 million and principally engages in provision of labour services	Labour services	2015	50% prepayment within 15 days of commencement of works; 40% within 30 days of final inspection; and 10% upon expiry of defect liability period, bank transfer	42,242	13.6%
3	Supplier G.	A private company based in Jiangxi Province with registered share capital of RMB8.0 million and principally engages in provision of labour services	Labour services	2021	50% prepayment within 15 days of commencement of works; 40% within 30 days of final inspection; and 10% upon expiry of defect liability period, bank transfer	33,471	10.8%
4	Supplier B.	A private company based in Jiangxi Province with registered share capital of RMB20.0 million and principally engages in provision of labour services	Labour services	2015	50% prepayment within 15 days of commencement of works; 40% within 30 days of final inspection; and 10% upon expiry of defect liability period, bank transfer	32,428	10.4%
5	Supplier H.	A private company based in Zhejiang Province with registered share capital of RMB10.0 million and principally engages in provision of labour services	Labour services	2021	50% prepayment within 15 days of commencement of works; 40% within 30 days of final inspection; and 10% upon expiry of defect liability period, bank transfer	14,213	4.6%
Total						222,518	71.7%

Note: The credit term set out herein is for reference only, and is related only to the individual work orders placed by the Group to its labour supplier. In practice, according to the framework agreement, the supplier would generally extend to the Group a credit period of 30 to 45 days from the date of the Group's receipt of payments from its customers.

BUSINESS

Year ended 31 December 2023

Rank	Supplier	Background	Principal services/ products provided to the Group	Year of commencement of business relationship	Typical credit terms and payment method ^(Note)	Transaction amount RMB'000	Percentage of total purchases for the year
1	Supplier B	A private company based in Jiangxi Province with registered share capital of RMB20.0 million and principally engages in provision of labour services	Labour services	2015	50% prepayment within 15 days of commencement of works; 40% within 30 days of final inspection; and 10% upon expiry of defect liability period, bank transfer	91,634	19.2%
2	Supplier C	A private company based in Guizhou Province with registered share capital of RMB2.0 million and principally engages in provision of labour services	Labour services	2019	50% prepayment within 15 days of commencement of works; 40% within 30 days of final inspection; and 10% upon expiry of defect liability period, bank transfer	61,800	13.0%
3	Supplier G	A private company based in Jiangxi Province with registered share capital of RMB8.0 million and principally engages in provision of labour services	Labour services	2021	50% prepayment within 15 days of commencement of works; 40% within 30 days of final inspection; and 10% upon expiry of defect liability period, bank transfer	61,759	13.0%
4	Supplier A	A private company based in Jiangxi Province with registered share capital of RMB30.0 million and principally engages in provision of labour services	Labour services	2015	50% prepayment within 15 days of commencement of works; 40% within 30 days of final inspection; and 10% upon expiry of defect liability period, bank transfer	46,202	9.7%
5	Supplier J	A private company based in Jiangxi Province with registered share capital of RMB10.0 million and principally engages in provision of labour services	Labour services	2022	50% prepayment within 15 days of commencement of works; 40% within 30 days of final inspection; and 10% upon expiry of defect liability period, bank transfer	32,928	6.9%
Total						294,323	61.8%

Note: The credit term set out herein is for reference only, and is related only to the individual work orders placed by the Group to its labour supplier. In practice, according to the framework agreement, the supplier would generally extend to the Group a credit period of 30 to 45 days from the date of the Group's receipt of payments from its customers.

The Directors confirm that each of the Group's five largest suppliers in each year during the Track Record Period are Independent Third Parties and none of the Directors, or their close associates or any Shareholder holding more than 5% of the Company's issued share capital had any interests in any of the Group's five largest suppliers in each year during the Track Record Period. To the best knowledge of the Directors having made all reasonable enquiries, none of the Group's five largest suppliers in each year during the Track Record Period was also its customers during the Track Record Period.

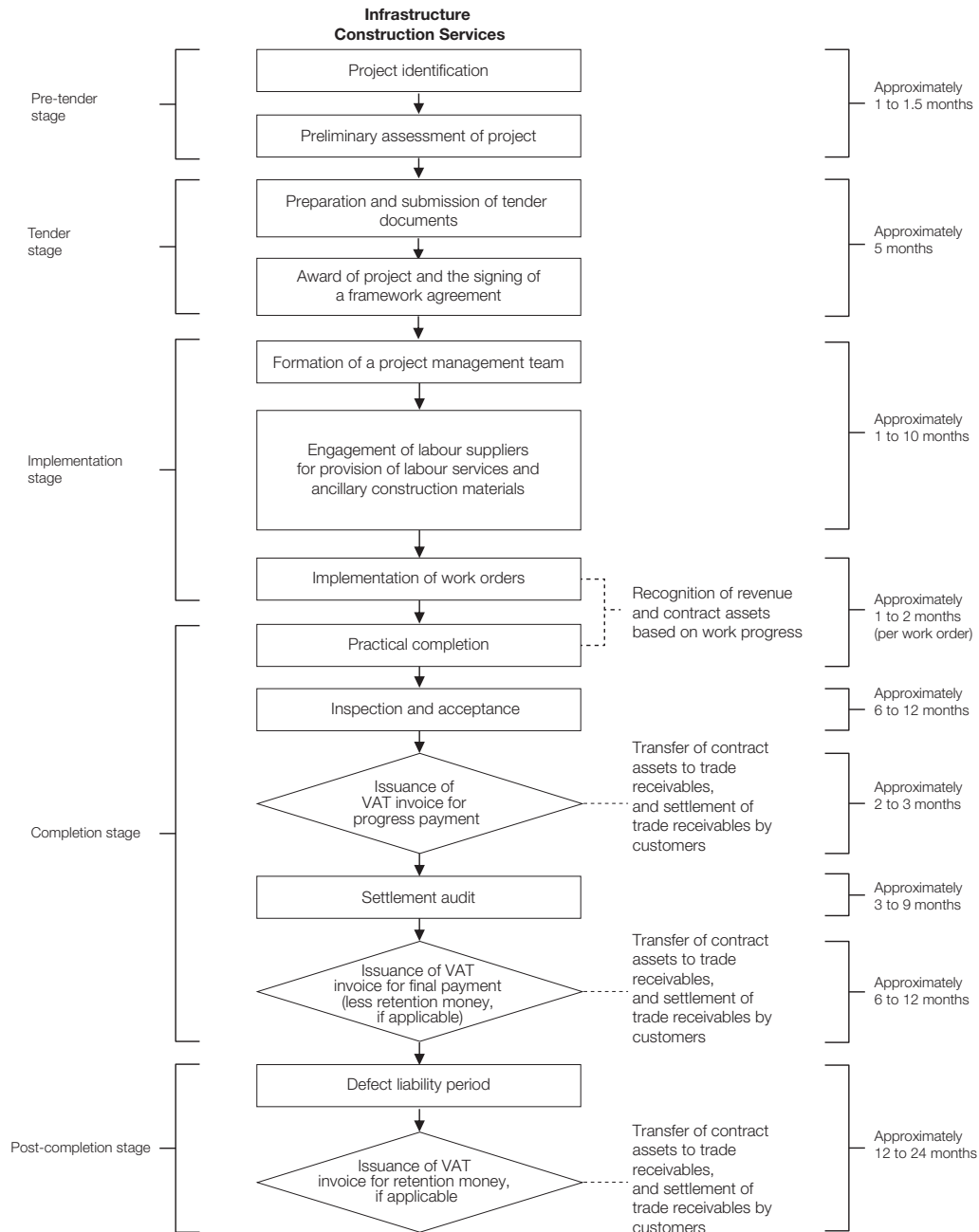
BUSINESS

OPERATION FLOW

Telecommunications Infrastructure Services

Infrastructure Construction Services

The following flowchart illustrates the principal stages of the Group’s business operations which generally apply in respect of its Infrastructure Construction Services projects:



BUSINESS

1. Pre-tender stage

Project identification

The Group's Infrastructure Construction Services projects during the Track Record Period were generally awarded by way of open tender and the Group would normally become aware of the opportunities to tender for projects through the publicly accessible websites of its customers which would make available the relevant details pertaining to the projects.

Preliminary assessment of project

Upon identifying the project which may be of relevance and interest to the Group, the Group's tendering team, which consists of project management and sales and marketing staff would conduct a preliminary assessment of the project's details to evaluate its feasibility. When assessing the feasibility of a project, the Group would typically take into account a range of factors including but not limited to the nature of the project, timing, complexity, the Group's available resources and the resources required, profitability and associated risks. As confirmed by the Directors, the timeframe typically required for project identification and preliminary assessment of the project was approximately one to one and a half months.

2. Tender stage

Preparation and submission of tender documents

If a project is assessed to be feasible, the Group's tendering team would begin preparation of the tender documents/quotations which would set out the details of the major team members, qualifications relevant to the project, project schedule and bid price, and/or a schedule of rates which contains the rates charged for ancillary construction materials and labour. In determining the bid price, the Group generally adopts a cost-plus pricing model after taking into account a range of factors including but not limited to the nature, scale, complexity and location of the relevant projects as well as the estimated ancillary construction materials and labour costs. For details regarding the other factors the Group would consider when determining its bid price, please refer to the paragraph headed "Sales and marketing – Pricing policy" in this section. Upon completion of the preparation of the tender documents, the Group's management would then review and make a final determination as to whether to proceed.

BUSINESS

Award of project and the signing of a framework agreement

Upon reviewing the tender documents submitted, if the potential customer agrees to engage the Group, the Group would typically enter into a framework agreement with the customer. The framework agreement would set out the general work scope, price for each type of work to be carried out and the maximum or estimated contract value (assuming that all works under the framework agreement will be required to be carried out), which is typically valid for a period of one to two years. For details, please refer to the paragraphs headed "Customers" in this section. Where a framework agreement is entered into between the Group and its customer, and the customer decides to commence the works stipulated in the framework agreement, it would generally place individual work orders with the Group. However, the customer is not obligated to place work orders up to the entire maximum or estimated contract value and may reduce the work scope as needed by not placing additional work orders. In certain circumstances, instead of a framework agreement the Group would directly enter into a formal agreement with the customer that is specific to the task at hand. As confirmed by the Directors, the timeframe typically required from the preparation and submission of tender documents up to the award of project and the signing of a framework agreement was approximately five months.

3. *Implementation stage*

Formation of a project management team

In preparation for the commencement of the relevant project, the Group would establish a project management team comprising a project manager responsible for developing implementation plan, monitoring the work progress, supervising the workforce, communicating with customers, suppliers and other relevant persons, and allocating sufficient resources for project implementation. In addition, the project management team would generally include technical personnel, safety personnel and workers depending upon the complexity and scale of the overall project. As part of the Group's preparatory works, the Group may also conduct a site survey to better understand the site conditions and the tasks at hand and would devise an implementation plan to ensure that the project can be carried out as effectively and efficiently as possible. The implementation plan would typically contain certain details including but not limited to arrangements with suppliers, deployment of labour, quality control and general health and safety.

Engagement of labour suppliers for provision of labour services and ancillary construction materials

At this stage, the Group would engage labour suppliers to ensure the sufficiency of workforce when the implementation of a project commences. Typically, the Group's customers would provide the telecommunications equipment to be installed by the Group, while the Group would procure the ancillary construction materials such as cement, reinforcement steels and screws for the implementation of its projects if such materials are not provided by the labour suppliers. As confirmed by the Directors, the timeframe typically required for the formation of a project management team and the engagement of labour suppliers for provision of labour services and ancillary construction materials was approximately one to 10 months.

BUSINESS

Implementation of work orders

Once the preparatory works have been completed, the project management team together with the labour suppliers engaged would begin carrying out the implementation plan. Throughout this phase, the Group's project management team would conduct regular inspections to ensure that the works done are carried out in accordance with the implementation plan, that the project is capable of being completed within the timeframe as required and to identify any issues or barriers which may prevent the proper execution of the implementation plan. In addition to monitoring the work progress, the Group's project management team would also monitor the costs incurred, the sufficiency of resources and the quality of works performed.

The Group has adopted a number of quality control measures to ensure that the works being carried out as well as the final deliverables are capable of meeting the strict requirements of its customers. The project management team also conducts regular on-site inspections on the progress and quality of the work completed by the Group and its labour suppliers, and arranges for remedial works if necessary. For details relating to the Group's quality control measures, please refer to the paragraphs headed "Quality control" in this section. Periodic progress meetings would also be held between the Group's management and the project management team whereby the Group's management would be briefed as to the project's status as an additional means by which to ensure that the implementation plan is being carried out properly. There may also be periodic progress meetings with the customers to inform them as to the status of the relevant project. The Group would recognise revenue and corresponding contract assets based on the work progress.

4. *Completion stage*

Practical completion

Depending on the nature, amount, and progress of works to be carried out, as confirmed by the Directors, the Group's project manager would typically acknowledge the practical completion of the works (including the on-site labour-intensive works required to be carried out by the labour provided by the labour suppliers) under the relevant work order or batches of work orders, upon the receipt of the practical completion report from its labour suppliers. As confirmed by the Directors, the timeframe generally required for the project implementation up to and including the practical completion in respect of a work order is approximately one to two months, which is consistent with the industry norm for work orders under projects of similar nature and scale in the PRC.

BUSINESS

Inspection and acceptance

After all the works relating to the relevant work order or batches of work orders have been practically completed, and if no material defects are found, the Group would inform its customer about the practical completion and request for completion inspection. The customer and/or its agent, which is usually its construction supervising agent, would commence on-site inspection so as to acknowledge the works as having been practically completed. The Group will submit a comprehensive package of materials to the customer and/or its agent to facilitate the measurement of progress and completion status of the Group's projects, as well as the issuance of inspection reports. This package typically includes a work progress report indicating the project's performance progress and the documentation related to the relevant technical and construction works including but not limited to the construction work layout plan, the variation record (if any), the equipment/materials used, the implementation status and the on-site inspection record. During the on-site inspections period, the customer or its agent may notify the Group to conduct certain rectification works or to make certain modifications to the practical completion report based on the findings during the on-site inspections. After the works are considered as satisfactorily completed by the customer and/or its agent, the customer would issue an inspection report for the relevant work order. Furthermore, in practice, as confirmed by the Directors, the customer would generally perform an inspection and acceptance for a number of completed work orders jointly.

To the best knowledge of the Directors, the timeframe for completion of the inspection and acceptance is largely driven by the progress of the inspection works and other internal procedures and processes of the customer and/or its agent, and there may be a substantial time lapse of around six to 12 months from the practical completion to the completion of the inspection and acceptance.

Upon completion of the inspection and acceptance, the Group would hand over the relevant portion of the work site to its customer, prepare and issue an interim VAT invoice for the progress payment corresponding to the relevant work order, and the relevant sum of contract assets would be transferred to trade receivables accordingly.

The customer generally settles its trade debts within the credit period granted by the Group. To the best knowledge of the Directors, the timeframe for the customer's payment depends on the progress of internal approval, and the process time for payment approval generally lasted for two to three months.

Settlement audit

Together with the inspection report, the documentation related to the relevant technical and construction works including but not limited to the construction work layout plan, the variation record (if any), the equipment/materials used, the implementation status and the on-site inspection record would be presented to its customer for onward review by its internal audit team or by an external audit agent as bases for the issuance of settlement audit reports. This process is called "settlement audit", during which the audit agent will review the relevant documentation, and it would determine whether any adjustment has to be noted in the settlement audit account.

BUSINESS

Upon completion of the settlement audit process, a settlement audit report would be issued. As confirmed by the Directors, the timeframe required for conducting the settlement audit was generally three to nine months. To the best knowledge of the Directors, depending on the scale and nature of works required, there may be a number of different construction companies/service providers involved in the same development project of the Group's customer, in which case the construction works commissioned by the Group under its Infrastructure Construction Services may only constitute a certain portion of the whole development project of its customer. In such circumstances, the Group's customer may wait until all the different aspects of works under the same development project are completed before carrying out the settlement audit processes altogether, leading to a significant time lapse between the recognition of contract assets and its transfer into trade receivables.

Further, and according to the Ipsos Report, state-owned enterprises such as the Group's customers often have lengthy internal approval processes which need to be performed before they can proceed to settlement audit or approve the final accounts.

Based on the amount set out in the abovementioned settlement audit report, the Group would prepare and issue a final VAT invoice setting out the amount of final payment (less retention money (if any)) to its customer, thereby transferring the corresponding amount of contract assets to trade receivables under the project, and its customer would arrange for payment accordingly. As confirmed by the Directors, the time interval between the completion of the settlement audit and the issuance of the final VAT invoice by the Group in general could be upwards of six to 12 months. To the best knowledge of the Directors, the timeframe for the customer's payment depends on the progress of their internal approval processes, which would normally take up to two to three months.

5. Post-completion stage

Defect liability period

Subsequent to the passing of the inspection and settlement audit, the defect liability period would commence, during which the Group would be responsible for rectifying any defects in relation to the works/services performed. With respect to the Group's labour suppliers, the Group would also require them to provide a back-to-back defect liability period to cover any defects arising from their works. Upon the expiry of the defect liability period, the customer or its agent may conduct additional inspections to ensure that there are no other follow up works needed, and the retention money or together with any other sums withheld would be released to the Group. Typically, the defect liability periods granted by the Group to its customers during the Track Record Period ranged from 12 to 24 months. Upon the expiry of the defect liability period, the Group would be entitled to issue a VAT invoice in respect of the retention money to its customer, thereby transferring the remaining contract assets to trade receivables. As confirmed by the Directors, during the Track Record Period, the Group did not experience any material claims by its customers in relation to the works and services provided by it.

To the best knowledge of the Directors, the average timeframe from the point of recognition of revenue and contract assets to the subsequent verification by customers is approximately 400 days.

BUSINESS

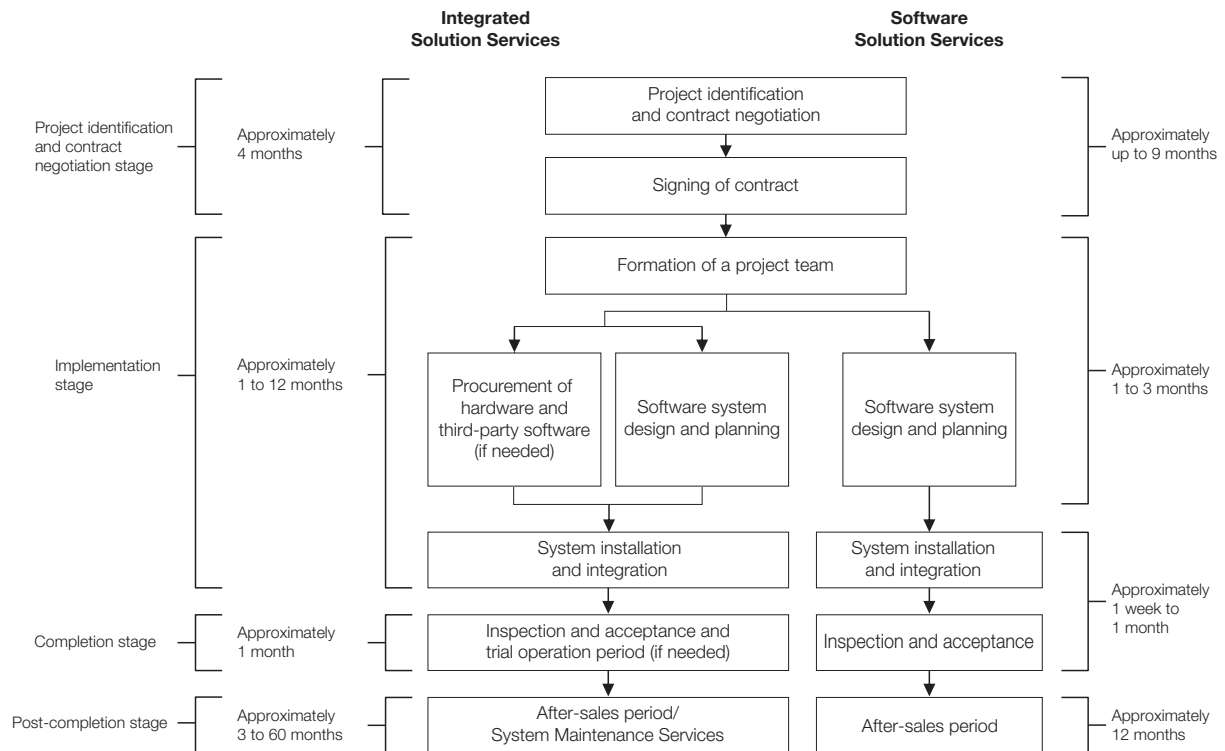
Infrastructure Maintenance Services

The principal stages of the Group’s business operations in relation to its Infrastructure Maintenance Services projects were similar to that of the Infrastructure Construction Services projects. During the Track Record Period, the Group’s Infrastructure Maintenance Services projects were generally awarded by way of open tender, and after a project was awarded, the Group would form a project management team which would begin preparation works including engagement of labour suppliers for the provision of labour and ancillary construction materials. Throughout the implementation stage of the project, the project management team would also supervise and ensure the basic maintenance, repairs and restoration works, etc. are properly carried out. Depending on the nature of works involved, the customer may conduct monthly reviews to assess the performance of the Group’s services, and the Group would generally issue invoices to its customers on a monthly basis, and the customer would arrange payment accordingly. Typically, the term of the agreement in respect of the Infrastructure Maintenance Services would last for one to three years.

Digitalisation Solution Services

Integrated Solution Services and Software Solution Services

The following flowchart illustrates the principal stages of the Group’s business operations which generally apply in respect of its Integrated Solution Services and Software Solution Services:



BUSINESS

1. Project identification and contract negotiation stage

Project identification and contract negotiation

The customer would generally approach the Group to seek its Digitalisation Solution Services by way of single-source procurement or invitation to quote, and the Group would engage in preliminary discussion in order to understand the customer's needs, objectives and budget. The Group would then conduct a feasibility study to assess the nature, complexity of the works as well as the Group's available resources and the costs and profitability of the project. Further, the Group would formulate a customised plan for the customer which would detail the choice and quantity of hardware as well as the software required.

Signing of contract

Once a project has been secured, the Group and its customers would enter into a formal agreement which would incorporate the necessary details such as the contract price, implementation timeline, payment term, details of services, hardware and/or software required. As confirmed by the Directors, the timeframe typically required for project identification and contract negotiation up to the signing of a contract was approximately four months for Integrated Solution Services projects and approximately up to nine months for Software Solution Services projects.

2. Implementation stage

Formation of a project team

After the contract is signed, the Group would then form a project team which would primarily consist of the responsible team members who would be monitoring the implementation progress and communicating with customers, suppliers and internal staff for overall project management.

Procurement of hardware and third-party software (if needed)

For the Integrated Solution Services projects, the Group would begin procurement of the necessary hardware (such as monitors, surveillance cameras, cables, data storage systems) and third-party software systems from its hardware and software suppliers. Depending on the work scope, the Group may also require its suppliers to provide the requisite installation services.

Software system design and planning

For projects that involve provision of software (other than third-party software), the Group would review its own portfolio of core software systems to assess whether any of them can be applied or adopted for the customer's use, and if not depending on the circumstances, the Group may engage third-party programmers to assist in developing or customising new core software systems.

BUSINESS

System installation and integration

After completion of the said preparatory stage, the project management team would begin carrying out the various steps of the implementation plan which would include matters such as arranging for the installation and integration of the hardware and software and other matters. During this stage, the Group would also maintain discussions with the customers, suppliers and/or third-party programmers regarding the system design to ensure that the architecture and interfaces satisfy the necessary requirements. Further, the Group's project management team would also conduct site visits to monitor the progress of the project and the costs incurred as well as ensure that the installation works for the necessary hardware have been carried out properly in accordance with the implementation plan.

3. *Completion stage*

Inspection and acceptance and trial operation period (if needed)

After completion of a stage of the project, a comprehensive package of materials will be submitted to the customer to facilitate the measurement of progress and completion status of the Group's projects, as well as the issuance of inspection reports. This package typically includes a report summarising the completion status of works specified in the contract and the documentation related to the relevant works including but not limited to the trial operation records and operation instructions. The Group's customers would inspect and acknowledge the completion of works and notify the Group of any defects which are required to be rectified (if any). For some of the Group's projects, a trial operation period would be provided to allow the customers for testing out the systems to ensure the operational efficacy of the system. The trial operation period for the Digitalisation Solution Services projects typically lasted for 30 days to six months.

When the Group has completed all the works specified in the contract, or after the expiry of the trial operation period, the customer would conduct a final inspection and issue to the Group an inspection report to confirm that the works under the agreement are completed and formally accepted. Depending on the terms of the agreement, the Group would be entitled to issue invoice for progress payment at this stage. As confirmed by the Directors, the timeframe typically required from the formation of a project team up to the completion of inspection and acceptance and trial operation period (if needed) was approximately two to 12 months for Integrated Solution Services projects and approximately one to four months for Software Solution Services projects.

BUSINESS

4. Post-completion stage

After-sales period

The Group may be required to provide after-sales services to its customers after the completion of a project or the expiry of the trial operation period. During the after-sales period, the Group would typically be responsible to rectify any defects for the hardware and software installed by the Group to ensure the system could operate and perform the functions as anticipated. The Group may also provide remote and/or on-site technical support services to cater to the enquiries of its customer or the end user or provide software and system upgrade, if available. The after-sales period for the Group's Integrated Solution Services projects typically ranged from three to 60 months, and the after-sales period for the Group's Software Solution Services typically lasted for 12 months. Upon the expiry of the after-sales period, the customer would release the retention money to the Group.

To the best knowledge of the Directors, the average timeframe (excluding five Integrated Solution Services Projects) and the average timeframe (including five Integrated Solution Services Projects) from the point of recognition of revenue and contract assets or trade receivables to the subsequent verification by customers is approximately 340 days and 640 days, respectively. Such prolonged average timeframe for the Digitalisation Solution Services projects (including five Integrated Solution Services projects) was attributed to the extension of payment terms in relation to those five Integrated Solution Services projects in view of the temporary liquidity constraints experienced by the end users (including regulatory authorities and public institution). For details, please refer to the paragraphs headed "Financial Information – Trade and other receivables – Trade and bills receivables" in this document.

System Maintenance Services

For some of the Group's Integrated Solution Services projects, the Group would provide the System Maintenance Services to its customers, which would include commissioned technical support and maintenance services for the hardware and software systems delivered under its Integrated Solution Services projects to ensure those systems are performing properly.

During the Track Record Period, the System Maintenance Services projects undertaken by the Group lasted for approximately 48 to 60 months.

BUSINESS

RESEARCH AND DEVELOPMENT

Digitalisation solution services industry is an industry with fast-moving market trends and technological advancements, therefore, the Group has placed great emphasis on its research and development capabilities to keep abreast of and pursue technological innovation. In recognition of the Group’s research and development efforts, Zhonggan Communication and GLP Technology were initially recognised as High and New Technology Enterprise* (高新技術企業) in 2015 and 2020, respectively. Each of the qualification is valid for three years. For Zhonggan Communication, the qualification was subsequently renewed in 2018 and 2021, respectively, and for GLP Technology, the qualification was subsequently renewed in 2023. Furthermore, GLP Software qualified as a “Double-soft Enterprise” in 2023, which is valid for five years until 2028. As at the Latest Practicable Date, the Group had 82 employees in its research and development team which is led by Mr. Peng Shengqian, one of the executive Directors of the Company. For further information of the experience and credentials of Mr. Peng Shengqian, please refer to the paragraphs headed “Directors and Senior Management – Directors – Executive Directors” in this document. The majority of the Group’s research and development personnel have a bachelor’s degree or have received tertiary education in various fields including but not limited to computer network technology, computer science, computer communication and computer application.

During the Track Record Period, the Group had incurred research and development expenses of approximately RMB19.2 million, RMB17.7 million and RMB25.9 million, respectively, which were used for the development of various technologies and software to be deployed in the provision of its Digitalisation Solution Services business segment. Such expenses mainly comprised outsourcing fees and staff costs of the Group’s research and development staff. The Directors believe that the Group’s research and development efforts have largely driven the increase in significance of its Digitalisation Solution Services business segment, particularly for those involving the use of the Group’s self-developed software, to the Group’s operational results. The technologies developed as a result of the Group’s research and development efforts were applied and/or adopted for developing the software systems required by its customers under the Group’s Integrated Solution Services projects and/or Software Solution Services projects.

Key stages of research and development process

Set out below is a process chart setting out the key stages of the Group’s research and development cycle:



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Identification and assessment of market needs

Prior to considering the development of new technologies, the Group would generally engage in discussions with its business partners, particularly with the Big Three, in order to stay ahead of emerging market trends and technologies. Through these discussions, the Group gained insights into the needs and challenges of its business partners, which can lead to identifying new opportunities for innovation and gaining a competitive edge through anticipating the future trends. Additionally, discussing with its business partners enables the Group to gain a deeper understanding of the particular pain points and challenges that the technology aims to address. This knowledge could be used to further refine the solution and ensure that it meets the needs of its intended audience. Furthermore, by collaborating with its business partners, the Group could determine the essential features and functionalities that are required for the technology to be effective. This process helped the Group to develop a solution tailored to the specific needs of its business partners and could ensure a higher likelihood of success in the market. Due mainly to the short cycle of its Digitalisation Solution Services projects, the Group would generally develop new technologies in anticipation of future needs, as otherwise, it would lengthen the project cycle and reduce the Group’s competitiveness. Further, as software is the key component in any turnkey solution, without a vast portfolio of software offerings, the Group’s ability to offer relevant turnkey solutions would be highly constrained.

Identifying and defining a research scope and conducting feasibility studies

After identifying the market opportunities and/or customers’ needs, the Group would generally consider the feasibility of developing the proposed technology or software system by taking into account factors including the relevant technical requirements, the complexity and innovativeness of the technology involved, the Group’s in-house expertise, the available research and development workforce and resources, the development timeframe and the financial resources required. The Group may also engage external consultant to advise on the feasibility and technical requirement of the proposed development subject. Upon deciding to undertake in the development of new technology, the Group would prepare a research and development plan, which would set out the estimated resources to be deployed, including the proposed in-house research and development team composition.

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Design and development

The design and development stage would generally commence with the design and planning of the software architecture including details relating to crucial functions and features, which serves as the blueprint for developing the underlying algorithms and computer coding. Depending on the complexity and number of functional modules required, the design and development stage will typically be conducted in phases. The Group would transform the potential user requirements into defined technological parameters which would be relied on by the in-house and/or third-party software programmers for undertaking the programming and coding tasks. Depending on the cost effectiveness of individual research subjects, the Group may engage external service providers including third-party software programmers to assist in the required programming and coding tasks. The Directors confirmed that, even where external service providers are engaged, the Group would be primarily responsible for the overall development, design and planning of the relevant software architecture. The ownership of any intellectual property rights generated therefrom would belong to the Group, and these third-party software programmers would also be bound by the confidentiality obligations when undertaking programming and coding tasks for the Group pursuant to the written agreement entered into with the Group.

The Group would also conduct review meetings to monitor the progress of development and may make modifications and adjustments in the software design where necessary.

Testing and commissioning

Upon completion of the design output, in order to ensure the performance of the individual software modules as well as software system meet the baseline requirements determined by the Group, the Group would conduct testing, commissioning and trial runs, which would typically include bugs fixing, functionality refinement and finetuning of the system performance based on different operating parameters. Further adjustments and modifications may also be made when necessary.

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Self-developed core technologies

During the Track Record Period, the Group had applied its self-developed software for use in different digitalisation related projects focusing on various sectors, such as digital healthcare, digital government, digital industrial management, digital management, digital telecommunications construction and digital grain depots, or for customised development specifically tailored for use in various sector-specific Digitalisation Solution Services projects. Set out below are examples of the core technologies developed and adopted by the Group as part of its research and developments efforts:

Nature	Descriptions and potential applications	Examples of projects undertaken during the Track Record Period which had applied the relevant technology
A real-time video surveillance analysis technology	It deployed both cloud computing monitoring technology and data analytics for capturing real-time behavioural characteristics of the monitored subjects and conducting video analytics around the clock. Using algorithms to recognise any spatial or temporal events in video data, it provides users with instant responses as well as data report based on defined criteria. This technology could be applied to software solutions focusing on digital urban management sector.	<ul style="list-style-type: none"> • A digital surveillance project of Customer A in Jiangxi Province which relates to the “Public security surveillance project in Honggutan New District”, i.e. a Major Project of the Group ^(Note) • A digital government project of Customer B in Jiangxi Province which relates to the “Digital city management project (phase 1 – operation) agreement in Qingshan Lake District”, i.e. a Major Project of the Group ^(Note) • A digital surveillance project of Customer B in Jiangxi Province which relates to the “Digital city management project (phase 1 – surveillance system integration service) agreement”, i.e. a Major Project of the Group ^(Note)
A city panorama display system	It used integrated augmented reality video linkage technology and tagging and labelling technology to create a three-dimensional monitoring system. It provides multi-facet information in one single visual display interface by linking up the management system and other third-party systems via IoT whereby users can monitor the scene with annotated information as well as spatial positioning and attitude perception. This technology could be applied to software solutions focusing on digital urban management sector.	<ul style="list-style-type: none"> • A digital surveillance project of Customer A in Jiangxi Province which relates to the “Public security surveillance project in Honggutan New District”, i.e. a Major Project of the Group ^(Note) • A digital surveillance project of Customer B in Jiangxi Province which relates to the “Digital city management project (phase 1 – surveillance system integration service) agreement”, i.e. a Major Project of the Group ^(Note)

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Nature	Descriptions and potential applications	Examples of projects undertaken during the Track Record Period which had applied the relevant technology
A big data intelligent analysis technology	It could conduct trend analysis and comparison analysis functions by collecting, screening and analysing the raw data generated from different management and operational processes within a hospital setting, thereby improving the efficiency of managing the institution as well as its resources allocation. This technology could be applied to software solutions focusing on digital healthcare sector.	<ul style="list-style-type: none"> • A digital healthcare project of Customer B in Jiangxi Province which relates to the “Hospital intelligent informatisation engineering project in Linchuan District”, i.e. a Major Project of the Group^(Note 1) • A digital healthcare project of Customer D in Jiangxi Province which relates to a 5G distant medical consultation and visualised data platform procurement project for a public hospital
A distant medical consultation analysis technology	It actualised the multi-dimensional statistical analysis and monitoring of the information relating to number of consultations undertaken, basic information of patients, number of doctors and hospitals involved, and level of available medical resources. It facilitated the continuing supervision and refinement of the distant medical consultation services, and enhancement of the control and prevention of infectious diseases. This technology could be applied to software solutions focusing on digital healthcare sector.	<ul style="list-style-type: none"> • A digital healthcare project of Customer D in Jiangxi Province which relates to a 5G distant medical consultation and visualised data platform procurement project for a public hospital

Note: For further details of the Major Project, please refer to the paragraphs headed “Projects – Major Projects” in this section.

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The Directors believe that these technologies developed by the Group could be applied and customised into various software systems involving cloud computing monitoring platforms, discriminative AI data analysis systems, and blockchain data security systems which have broad applications across multiple sector-specific technologies. For additional details relating to the applications of the Group's self-developed software, please refer to the paragraphs headed "Principal services and business model – Digitalisation Solution Services" in this section. With the concerted efforts of the Group's in-house research and development team, together with the third-party software programmers (if any), the Group had developed and registered over 120 software copyrights in the PRC as at the Latest Practicable Date. For details, please refer to the paragraphs headed "B. Further information about the Group's business – 2. Intellectual property rights of the Group" in Appendix V to this document. To further strengthen its research and development capabilities, the Group plans to devote additional resources (including the utilisation of [REDACTED] from the [REDACTED]) in the year ending 31 December 2024 to developing 5G-enabled digital technologies with two primary objectives: (i) broadening the applicability of sector-specific digital technologies; and (ii) developing the underlying capability of 5G-enabled cloud based technologies particularly on big data analytics and blockchain technology. For details, please refer to the paragraphs headed "Business – Business strategies" in this document.

While some of the Group's self-developed software systems deployed in its Digitalisation Solution Services projects may involve data collection including personal data, once the relevant software systems are installed by the Group accepted by the customers, the Group would generally have no access to the software systems save in the case of providing technical support or system upgrade services. As confirmed by the Directors, when accessing the software systems for the purpose of providing technical support or system upgrade services, the Group's customers would generally need to provide it with the relevant access code and the Group's customers would be able to monitor the activities of the Group and the works undertaken by the Group. As confirmed by the PRC Legal Advisers, the Group's relevant business did not involve relevant laws and regulations in the PRC regarding data protection during the Track Record Period.

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LICENSES AND QUALIFICATIONS

Pursuant to the relevant laws and regulations in the PRC, the Group is required to possess certain requisite licenses, approvals and permits for conducting its business. Set out below are details of the licenses, approvals and permits held by the Group as at the Latest Practicable Date:

License/approval/permit	Qualification type/license scope	License/approval/ permit holder	Issuing authority/body	Validity period
Qualification Certificate of Construction Enterprise* (建築業企業資質證書)	First Tier Communications Project Implementation General Contracting Enterprises Qualification* (通信工程施工總承包)(Class 1)	Zhonggan Communication	Ministry of Housing and Urban-Rural Development of the People's Republic of China* (中華人民共和國住房和城鄉建設部)	9 October 2022 to 19 July 2024 (Note)
Qualification Certificate of Construction Enterprise* (建築業企業資質證書)	Professional contractor in electronics and intelligence engineering works* (電子與智能化工程專業承包)(Class 2)	Zhonggan Communication	Nanchang Municipal Housing and Urban-Rural Development Bureau* (南昌市住房和城鄉建設局)	2 March 2023 to 30 June 2024 (Note)
Qualification Certificate of Construction Enterprise* (建築業企業資質證書)	Professional contractor in urban and road lighting engineering works* (城市及道路照明工程專業承包)(Class 3)	Zhonggan Communication	Nanchang Municipal Housing and Urban-Rural Development Bureau* (南昌市住房和城鄉建設局)	2 March 2023 to 30 June 2024 (Note)
Qualification Certificate of Construction Enterprise* (建築業企業資質證書)	Professional contractor in environmental protection engineering works* (環保工程專業承包)(Class 3)	Zhonggan Communication	Nanchang Municipal Housing and Urban-Rural Development Bureau* (南昌市住房和城鄉建設局)	2 March 2023 to 30 June 2024 (Note)
Qualification Certificate of Construction Enterprise* (建築業企業資質證書)	Main contractor in power engineering works* (電力工程施工總承包)(Class 3)	Zhonggan Communication	Nanchang Municipal Housing and Urban-Rural Development Bureau* (南昌市住房和城鄉建設局)	2 March 2023 to 30 June 2024 (Note)
Qualification Certificate of Construction Enterprise* (建築業企業資質證書)	Professional contractor in steel structure construction works* (鋼結構工程專業承包)(Class 3)	Zhonggan Communication	Nanchang Municipal Housing and Urban-Rural Development Bureau* (南昌市住房和城鄉建設局)	2 March 2023 to 30 June 2024 (Note)
Qualification Certificate of Construction Enterprise* (建築業企業資質證書)	Main contractor in general construction works* (建築工程施工總承包)(Class 3)	Zhonggan Communication	Nanchang Municipal Housing and Urban-Rural Development Bureau* (南昌市住房和城鄉建設局)	2 March 2023 to 30 June 2024 (Note)
Qualification Certificate of Construction Enterprise* (建築業企業資質證書)	Filing of construction labour service enterprise* (施工勞務企業備案)	Zhonggan Communication	Nanchang Municipal Housing and Urban-Rural Development Bureau* (南昌市住房和城鄉建設局)	2 March 2023 to 30 June 2024 (Note)
Work Safety License* (安全生產許可證)	Building construction* (建築施工)	Zhonggan Communication	Department of Housing and Urban-Rural Development of Jiangxi Province* (江西省住房和城鄉建設廳)	15 March 2024 to 15 March 2027
Jiangxi Province Security Engineering Enterprise Design and Construction Maintenance Capability Certificate* (江西省安防工程企業設計施工維護能力證書)	Class 3	Zhonggan Communication	Jiangxi Province Security Technology to Guard Against Industry Association (江西省安全技術防範行業協會)	14 September 2023 to 13 September 2026

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License/approval/permit	Qualification type/license scope	License/approval/permit holder	Issuing authority/body	Validity period
Licenses for Undertaking Installation (Repair, Testing) of Electric Power Facilities* (承裝(修、試)電力設施)許可證)...	Installation category, repair category, testing category* (承裝類、承修類、承試類) (Class 4)	Zhonggan Communication	Central China Energy Regulatory Bureau of National Energy Administration of People's Republic of China* (中華人民共和國國家能源局華中監管局)	7 August 2023 to 6 August 2029
Engineering Design Qualification Certificate* (工程設計資質證書).....	Electronic communication, radio and television industry (wired communication, wireless communication)* (電子通信廣電行業(有線通信、無線通信) (Professional grade B)	Zhonggan Communication	Ministry of Housing and Urban-Rural Development of the People's Republic of China* (中華人民共和國住房和城鄉建設部)	19 August 2021 to 19 August 2026

Note: The Group plans to file application to renew these certificates well in advance of their expiration. As confirmed by the PRC Legal Advisers, there is no legal impediment for the Group to renew these certificates as long as there is no material change in the relevant laws and regulations and the Group complies with the relevant requirements.

As advised by the PRC Legal Advisers, the Group has obtained all requisite licenses, approvals and permits from the relevant governmental authorities in the PRC that are material to the Group's business and operations during the Track Record Period. Furthermore, such licenses, approvals and permits remain valid as at the Latest Practicable Date and the Group has not experienced any material difficulty in obtaining and/or renewing such licenses, approvals and permits.

INTELLECTUAL PROPERTY

The Group had registered 25 trademarks and over 120 software copyrights and obtained 14 patents in the PRC which are or may be material to the Group's business as at the Latest Practicable Date. For details of the Group's intellectual property rights, please refer to paragraph headed “B. Further information about the Group's business – 2. Intellectual Property Rights of the Group” in Appendix V to this document.

During the Track Record Period and up to the Latest Practicable Date, the Group had not received any claim against it for infringement of any intellectual property rights nor are the Directors aware of any pending or threatened claims in relation to such infringements and the Group had not made any claims against any third party with respect to the infringement of any intellectual property rights owned by it.

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EMPLOYEES

The Directors consider that the employees of the Group are invaluable assets and one of the key factors to its continued success. The Group has always used its best endeavours to attract and retain the best talent and its approach is to enhance its employees’ potential and contribution to the Group through providing training, competitive compensation and upward mobility opportunities. As at the Latest Practicable Date, the Group employed a total of 252 employees, all of whom are located in the PRC, and no labour union has been established. The following table sets out a breakdown of the Group’s employee by function as at the Latest Practicable Date:

Function	Number of employees as at the Latest Practicable Date
Management	16
Engineering and technical	125
Research and development	82
Administration	11
Finance	9
Quality control	3
Sales and marketing	6
Total	252

Employee recruitment and remuneration

The Group recruits personnel from open market, mainly based on the a range of factors, including but not limited to their working experience, technical knowledge and educational background. To facilitate the recruitment of employees, the Group strives to offer competitive salaries and benefits to its employees and has policies in place to sure that the salaries and bonuses of its employees are reviewed periodically and are competitive and in line with their performances. Upon hiring of the relevant employee, the Group would enter into a standardised employment contract with him or her which sets out the principal terms of their employment, such as remuneration, duties, benefits, paid leaves and grounds for termination. In addition to their basic remuneration as set out in the employment contract, it is also the Group’s policy to reward employees in the form of bonuses which are given out from time-to-time. Furthermore, in compliance with applicable statutory requirements in the PRC, the Group participates in social insurance and the housing provident schemes in the PRC. The Directors confirm that, save as disclosed in the paragraph headed “Legal proceedings and compliance” in this section, the Group was in material compliance of all applicable labour laws of the PRC during the Track Record Period and up to the Latest Practicable Date.

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The Group is also an equal opportunity employer and it is the Group’s policy to recruit talented employees regardless of their gender, orientation, age, ethnicity, family status and any other personal characteristics. As at the Latest Practicable Date, the Group’s employees comprised 192 males and 60 females. The Directors confirm that the Group did not encounter any material difficulty in the recruitment and retention of its employees or experienced any material disruption in its operations as a result of labour disputes during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, the Group had employed dispatched supporting staff including security guards, chefs and cleaners through an employment agent. Pursuant to the labour dispatchment agreement, the Group would pay the employment agent in accordance with the number of workers dispatched and the employment agent would in turn pay wages to the dispatched workers. As advised by the PRC Legal Advisers, the Group is not responsible for making contributions for social insurance or housing provident funds for these dispatched workers under the applicable PRC laws and regulations. As at the Latest Practicable Date, the Group had employed three dispatched workers, representing less than 10% of the Group’s total number of employees.

Employee training

The Group provides its new and existing employees with relevant job training from time to time which covers health and safety and operational procedures. Where there are new industry regulations or the Group adopts or amends its policies and operating guidelines which its employees are required to adhere to, it may also provide supplemental training to its employees.

Work safety

The Group’s business and operations are subject to various labour and safety laws and regulations in the PRC, for details, please refer to the section headed “Regulatory Overview” in this document. The Group promotes occupational health and safety measures to ensure that it is in compliance with all applicable laws and regulations through establishing and implementing workplace safety guidelines for its employees. Pursuant to the Group’s occupational health and safety measures it has formulated a series of guidelines and policies which details work safety instructions and operating procedures, and has also employed work safety officers to coordinate and manage all matters related to work safety, thereby strengthening the Group’s ability to ensure a safe working environment for its employees. Moreover, when labour suppliers are involved, the Group will also require them to undertake and ensure that their workers will strictly comply with the relevant industry related standards, laws and regulations in the PRC, and to adhere with the Group’s guidance and policies on work safety in the course of carrying out construction works and other tasks for the Group’s projects. When accidents do occur, it is the Group’s policy that it will be reported to the relevant department and handled accordingly.

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As advised by the PRC Legal Advisers, the Group was materially in compliance with the relevant mandatory local and national occupational health and safety laws and regulations, and no administrative penalty had been imposed on the Group by the relevant PRC authorities in respect of non-compliance with the relevant local and national occupational health and safety laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date. There was one fatal accident involving an employee of the Group during the Track Record Period. The following table sets out the details of the accident:

Accident date	Particulars of accident	Relationship between the deceased and the Group	Status
1 June 2020	While leaving from work, the deceased sustained a collision with a vehicle and died.	The Group's employee	Settled and fully covered by insurance

The Directors confirm that, save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, the Group did not have any material accidents and fatalities involving the Group's employees, and the Group has not been subject to any material fines, public criticism or warnings in relation to any safety incidents.

INVENTORY CONTROL

The Group's inventory primarily consists of hardware and software to be used mainly in its Digitalisation Solution Services projects. Typically, the Group's project team will plan ahead for the delivery schedule and place purchase order with its hardware and software suppliers after securing a project. If the Group is responsible for the procurement of ancillary construction materials for a particular project, the Group will require its labour suppliers to provide such ancillary construction materials when placing work orders with them, who would then arrange for the delivery of the materials to the customers' storage facilities or the work sites directly. No provision has been made nor required to be made for the Group's inventory during the Track Record Period.

QUALITY CONTROL

The Group places a strong commitment towards delivering quality service and believes that such a commitment has been an essential element to its continued success as such it has established a stringent system of quality control policies and procedures for the projects undertaken by it. As at the Latest Practicable Date, the Group's quality control team comprised three employees. The Group would also assign designated project managers to monitor the quality of works in relation to its Telecommunications Infrastructure Services projects.

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To ensure all works are carried out and completed in accordance with the contract requirements, the Group’s project management team conducts regular meetings with customers to address their requests and concerns. The project management team also conducts regular on-site inspections on the progress and quality of the work completed by the Group and its labour suppliers and other service suppliers, arrange for remedial works if necessary and reports to the Group’s management on a regular basis. To achieve consistency in the work quality, standardised construction techniques and procedures are generally adopted by the Group across its projects. Periodic trainings are also provided to the Group’s employees with a view to maintaining the quality of their work.

Aside from ensuring the quality of its works, the Group’s quality control policies and procedures also encompass ancillary construction materials, hardware and third-party software sourcing. If the Group is required to procure ancillary construction materials, equipment or software for its projects, it is required to source only materials, equipment and software that fulfil the contract specifications from approved suppliers or suppliers designated by its customers. Further, the materials will be inspected or tested upon delivery to ensure they comply with the contract requirements. Ancillary construction materials, hardware and software supplied by the Group’s labour suppliers and hardware and software suppliers will also be inspected or tested by the Group upon delivery to ensure the contract requirements are satisfied.

In recognition of the Group’s efforts in maintain effective quality control systems, its quality management system was awarded with GB/T 19001-2016/ISO 9001: 2015 certification. Further, as confirmed by the Directors, the Group did not experience any material quality issues or receive any material complaints in relation to the quality of work done and services rendered by the Group during the Track Record Period and up to the Latest Practicable Date.

AWARDS, RECOGNITIONS AND CERTIFICATIONS

Set out below are the major awards, recognitions and certifications the Group received/ possessed during the Track Record Period:

Year of issuance	Award/recognition	Awarding/authorising body
2018	High and New Technology Enterprise Certificate* (高新技術企業證書) for Zhonggan Communication	Science and Technology Department of Jiangxi Province* (江西省科學技術廳), Jiangxi Provincial Finance Department* (江西省財政廳) and Jiangxi Provincial Bureau of Local Tax of the State Taxation Administration* (國家稅務總局江西省稅務局)
2020	Certificate of Enterprise Credit Grade* (企業信用等級證書)	China International Electronic Commerce Center (中國國際電子商務中心), China National Credit Information Service Co., Ltd. (北京國富泰信用管理有限公司)
2020	Excellent Cooperation Unit for Engineering Construction in Year 2019* (2019年度工程建設優秀合作單位)	A branch office of a subsidiary of Customer A
2020	High and New Technology Enterprise Certificate* (高新技術企業證書) for GLP Technology	Science and Technology Department of Jiangxi Province* (江西省科學技術廳), Jiangxi Provincial Finance Department* (江西省財政廳) and Jiangxi Provincial Bureau of Local Tax of the State Taxation Administration* (國家稅務總局江西省稅務局)

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Year of issuance	Award/recognition	Awarding/authorising body
2021	Nanchang High-Tech Industrial Development Zone – Outstanding Contribution Enterprise of the Park in Year 2020* (2020年度南昌高新技術產業開發區-園區突出貢獻企業)	Nanchang High-Tech Industrial Development Zone Management Committee of the Working Committee of Nanchang High-Tech Industrial Development Zone of the Communist Party of China* (中共南昌高新技術產業開發區工委南昌高新技術產業開發區管理委員會)
2021	High and New Technology Enterprise Certificate* (高新技術企業證書) for Zhonggan Communication	Science and Technology Department of Jiangxi Province* (江西省科學技術廳), Jiangxi Provincial Finance Department* (江西省財政廳) and Jiangxi Provincial Bureau of Local Tax of the State Taxation Administration* (國家稅務總局江西省稅務局)
2021	SA8000: 2014 Corporate Social Responsibility Management System Certificate* (企業社會責任管理體系認證證書)	Zhongtian Hongtu International Certification Co., Ltd.* (中天鴻圖國際認證有限公司)
2022	GB/T 19001-2016/ISO 9001: 2015 Quality Management System Certificate* (質量管理體系認證證書) for security engineering construction, maintenance, communication engineering, power engineering, electronic and intelligent engineering construction	China Quality Mark Certification Group Co., Ltd.* (方圓標誌認證集團有限公司)
2022	GB/T 24001-2016/ISO 14001: 2015 Environmental Management System Certificate* (環境管理體系認證證書) for communication engineering, power engineering, electronic and intelligent engineering construction, security engineering construction, maintenance and related management activities	China Quality Mark Certification Group Co., Ltd.* (方圓標誌認證集團有限公司)
2022	GB/T 45001-2020/ISO 45001: 2018 Occupational Health and Safety Management Systems Certificate* (職業健康安全管理体系认证证书) for communication engineering, power engineering, electronic and intelligent engineering construction, security engineering construction, maintenance and related management activities	China Quality Mark Certification Group Co., Ltd.* (方圓標誌認證集團有限公司)
2023	Software Enterprise Certificate* (軟件企業證書) for GLP Software	China Software Industry Association (中國軟件行業協會)
2023	Software Product Certificate* (軟件產品證書) for GLP Software	China Software Industry Association (中國軟件行業協會)
2023	High and New Technology Enterprise Certificate* (高新技術企業證書) for GLP Technology	Science and Technology Department of Jiangxi Province* (江西省科學技術廳), Jiangxi Provincial Finance Department* (江西省財政廳) and Jiangxi Provincial Bureau of Local Tax of the State Taxation Administration* (國家稅務總局江西省稅務局)
2023	“Specialised Small and Medium-sized Enterprise” in Jiangxi Province in 2023* (2023年江西省“專精特新”中小企業) for Zhonggan Communication	Jiangxi Provincial Industrial and Information Department* (江西省工業和信息化廳)
2023	“Specialised Small and Medium-sized Enterprise” in Jiangxi Province in 2023* (2023年江西省“專精特新”中小企業) for GLP Technology	Jiangxi Provincial Industrial and Information Department* (江西省工業和信息化廳)

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MARKET COMPETITION

According to the Ipsos Report, the market value of the Telecommunications Infrastructure Services industry in the PRC grew at a CAGR of approximately 5.7% from 2019 to 2023 and is expected to grow at a CAGR of approximately 5.5% from 2024 to 2028 while the market value of the Digitalisation Solution Services industry in the PRC grew at a CAGR of approximately 12.1% from 2019 to 2023 and is also expected to grow at a CAGR of approximately 9.0% from 2024 to 2028. The continuous growth in the telecommunications infrastructure services industry and the digitalisation solution services industry in the PRC will be driven by government policies in particular The 14th Five-Year Plan for National Informatisation* (“十四五”國家信息化規劃). The 14th Five-Year Plan for National Informatisation in China is expected to have a significant impact on both the development of telecommunications infrastructure services industry and digitalisation solutions industry in the PRC. For the telecommunications infrastructure services business, the plan emphasises the need to accelerate the development of 5G networks and other advanced telecommunications technologies. This will require significant investment in the telecommunications infrastructure, including the deployment of more base stations and fiber-optic cables to support the increased demand for data transmission and communication. This will create opportunities for businesses involved in the construction, operation, and maintenance of telecommunications infrastructure. For the digitalisation solutions business, the plan emphasises the need to promote the development of smart cities and the integration of information technology with urban infrastructure. This will create opportunities for businesses involved in the design, development, and implementation of digitalisation solutions, such as sensors, data analytics, and other related technologies. The plan also emphasises the need to promote the digital transformation of traditional industries, which will increase the demand for digitalisation solutions. As more businesses adopt digital technologies, they will require solutions that integrate with their existing infrastructure and provide real-time data analysis and insights.

Despite the ample demand for Telecommunications Infrastructure Services and Digitalisation Solution Services in the PRC, multiple entry barriers prevent the rise of new market players. According to the Ipsos Report, there are multiple entry barriers in the telecommunications infrastructure services industry which include (i) a strong capital position as a typical project involves significant upfront commitment of resources and capital and as the payment process can be lengthy and delays may occur, (ii) a proven track record as market players are required to demonstrate their competence and experience in the field during the tender process and (iii) licenses that are the prerequisites for a company to participate in the projects of the key market players in the telecommunications infrastructure services industry. For the digitalisation solution services industry, the entry barriers include (i) high cost of investment to enhance technologies, develop innovative solutions, train IT talents and obtain intellectual property and (ii) talent competition for technical talents to conduct research and development of new solutions that meet users’ needs. While this may be the case, the telecommunications infrastructure services industry is also highly fragmented and with approximately 353 companies that possess the First Tier Communications Project Implementation General Contracting Enterprises Qualification* (通信工程施工總承包(一級)) in 2022. Similarly, the digitalisation solution services industry is also highly fragmented with top players dominating in different provinces. Accordingly, the individual strengths of the integrated service provider is paramount in determining its ability to capture business opportunities and the Directors believe that given the Group’s competitive strengths which are set out in “Competitive strengths” in this section, the Group will be able to distinguish itself from its competitors and capture new business opportunities.

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ENVIRONMENT, SOCIETY AND GOVERNANCE

The Board has the collective and overall responsibility for establishing, adopting and reviewing the ESG strategies and target of the Group, identifying the key performance indicators and the relevant measurements and evaluating, determining and addressing our ESG-related risks in accordance with Appendix C2 to the Listing Rules, together with other applicable recommendations from the Stock Exchange. The Board will assess, evaluate the ESG risks and review the Group’s existing strategy, target and internal controls. If necessary, improvement will be implemented to mitigate the risks that are material to the Group’s business operation and Shareholders from time to time. After the [REDACTED], the Group will publish an ESG report annually in accordance with Appendix C2 to the Listing Rules to qualitatively and quantitatively analyse and disclose important ESG matters, risk management and the accomplishment of key performance objectively.

Environmental matters

The Group is subject to a number of environmental laws and regulations in the PRC including among others, the Law of the PRC on Environmental Protection (《中華人民共和國環境保護法》); the Law of the PRC on Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》); the Law of the PRC on Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》); the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》); and the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》). As confirmed by the PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, the Group was in compliance all relevant environmental laws and regulations in the PRC in all material respects.

The Group’s core business encompasses Telecommunications Infrastructure Services and Digitalisation Solution Services. Within Telecommunications Infrastructure Services, the Group provides Infrastructure Construction Services and Infrastructure Maintenance Services. Digitalisation Solution Services provided by the Group include Integrated Solution Services, System Maintenance Services, and Software Solution Services. Infrastructure Construction Services involve construction, adaptation, and installation works such as base station and auxiliary facilities engineering services, power grid connection services, cable installation services, access network related services and wireless network equipment installation services. These labour-intensive activities are primarily executed through labour services provided by labour suppliers and utilising equipment provided by customers, such as telecommunications and wireless devices. The laying of network cables primarily occurs within existing underground electrical conduit pathways, avoiding the need for road excavation or construction works. Infrastructure Maintenance Services primarily involve carrying out routine basic maintenance, repairs and restoration works and emergency trouble shooting to the telecommunications infrastructure located across rural and urban areas in the PRC. Digitalisation Solution Services are primarily delivered by the Group’s employees, who develop customised solutions tailored to customer requirements and specific circumstances.

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Given the nature of the Group’s core business activities described above, it heavily relies on manpower, telecommunications equipment provided by customers and ancillary construction materials provided by labour suppliers to deliver the Group’s services. Going forward, the Directors do not anticipate that the Group will need to incur any significant costs relating to compliance with any applicable environmental protection rules and regulations in the PRC.

Nevertheless, the Group recognises the importance of environment conservation and strives to minimise its environmental impact for example by encouraging its employees to use public transport where possible, reduce the use of water, use daylight where possible, use energy efficient appliances and avoid printing hard copies to the extent possible. In 2022, the Group obtained the GB/T 24001-2016/ISO 14001: 2015 (Environmental Management Systems) certification which is a testament to its efforts in promoting environmentally friendly and sustainable business practices.

ESG and climate related key performance indicators

The Group has assessed quantitative information that reflects its management of ESG-related risks, which includes greenhouse gas emission and resource consumption. Greenhouse gas emissions consists of Scope 1, Scope 2 and Scope 3 emissions. Scope 1 direct emissions include the greenhouse gas emissions from the Group’s vehicles, Scope 2 indirect emissions include greenhouse gas emissions from the consumption of electricity. Scope 3 other indirect emissions include the greenhouse gas emissions from freshwater and sewage processing, paper waste disposal at landfills, and business air travel. The following table sets out an analysis of the Group’s greenhouse gas emissions:

Emission sources	Year ended 31 December		
	2021	2022	2023
	(tonnes)	(tonnes)	(tonnes)
Scope 1 (direct emissions)	7.7	5.2	3.0
Scope 2 (indirect emissions)	397.0	393.1	385.5
Scope 3 (other indirect emissions)			
– Paper waste disposed at landfills	13.4	8.8	4.7
– Electricity used for processing fresh water and sewage	5.3	4.2	4.6
– Business air travel by employees	8.8	10.4	20.6

Looking ahead, the Group is committed to minimising its greenhouse gas emissions to reduce its environmental impact. To decrease direct emissions resulting from vehicle usage, the Group consistently encourages employees to utilise public transportation instead of utilising self-owned vehicles. Furthermore, the Group anticipates replacing 1 to 2 of the current gasoline and diesel vehicles with new energy vehicles by 2026, thereby reducing associated emissions. For indirect emissions, in order to reduce greenhouse gas emissions from consumption of electricity, the Group has implemented feasible measures to reduce consumption of electricity. The Group has placed signage in offices to remind employees to switch off unused appliances such as air conditioning and lighting systems. Office corridors and windows are designed to maximise natural lighting, and energy-efficient appliances are prioritised in office settings, aiming to reduce power usage from all aspects. The Group also encourages employees to utilise power-saving modes for their computers, automatically transitioning to standby mode when not in use, thus reducing electricity consumption.

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Additionally, in July 2023, the Group installed a new air-conditioning control system for the office located at its headquarter in Nanchang City. This system enables centralised control over the temperature settings, allowing the Group to efficiently manage power consumption and prevent electricity wastage caused by excessively low air-conditioning temperatures. To ensure effective monitoring of electricity usage, the Group’s administration team is responsible for setting the electricity consumption budget and conducting monthly comparative analyses of actual consumption against the budget. This ongoing monitoring will help the Group identify any instances of excessive electricity usage, which will be reported to the Group’s management team from time to time. Furthermore, the administration team will also inspect the Group’s offices regularly to identify and address any instances of excessive or wasteful electricity consumption.

Further, the Group has also implemented feasible measures to reduce other indirect emissions. To address paper waste disposal at landfills, recycling programs have been implemented by the Group, motivating employees to deposit waste paper in designated recycling bins. To decrease electricity usage in water and sewage processing, employees are encouraged to conserve water when using restroom facilities. Regular inspections of faucets by administrative staff to ensure there are no leakages causing water waste. Lastly, to reduce business air travel by employees, the Group encourages the use of video conferencing and online collaboration tools as alternatives, thereby reducing the need for physical business travel.

The Group will continue promoting resource conservation among its employees and implementing the abovementioned measures to improve and reduce greenhouse gas emissions. The Group aims to reduce its total greenhouse gas emissions consisting Scope 1, Scope 2 and Scope 3 emissions (with Scope 2 indirect emissions being the primary contributor) by 3% by the end of 2026 as compared to the emission level in 2022.

The following table sets out an analysis of the Group’s resource consumption:

	<u>Year ended 31 December</u>		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
Energy consumption (kilowatt)	711,936	708,443	687,508
Water consumption (cubic meter)	8,294	6,651	7,213

As previously stated, the Group actively promotes energy conservation, particularly in relation to electricity consumption. This is achieved through using signage, maximising natural lighting, prioritising energy-efficient appliances, and encouraging power-saving modes. Although fluctuations in energy consumption are inevitable with the Group’s business growth and development, the Group will continue promoting the virtue of energy conservation among employees. Additionally, the Group will monitor office electricity usage consistently during operations. By implementing the aforementioned measures consistently, the Group aims to reduce energy consumption by 3% by the end of 2026 as compared to the consumption level in 2022.

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In terms of reducing water consumption, as previously stated, the Group encourages employees to conserve water when using restroom facilities and conducts regular inspections of faucets to ensure there are no leakages that could result in water waste. During the Track Record Period, the Group did not encounter any material issues concerning the availability of water supply, as it is sourced from the water department of government. Looking ahead, the Group will continue to encourage employees to conserve water and minimise wastage. By implementing the aforementioned measures consistently, the Group aims to reduce water resource usage by 3% by the end of 2026 as compared to the consumption level in 2022.

After the [REDACTED], the Group will continue to adhere to the relevant regulations and laws while striving to decrease its greenhouse gas emissions and resource consumption.

To effectively address environmental risks along the supply chain, the Group has implemented rigorous quality requirements and standards when selecting suppliers. For labour suppliers, strict adherence to relevant environmental standards and regulations is a mandatory criterion. Further, the Group prioritises hardware and software suppliers who have obtained recognised environmental certifications to demonstrate a strong commitment to sustainable practices and strictly requires hardware and software suppliers to comply with relevant environmental standards and regulations. Moreover, the Group emphasises transparency and information sharing to effectively manage environmental risks across the supply chain. Open communication is encouraged among suppliers regarding their environmental practices and regulatory updates. This collaborative approach fosters a collective effort towards sustainability. By promoting transparency, the Group ensures suppliers are well-informed and empowered to make environmentally responsible decisions. By prioritising suppliers that align with environmental values and promoting transparency, the Group actively manages and mitigates environmental risks.

While the business operations of the Group do not involve environmentally friendly products and services, the Group still places a strong emphasis on environmental responsibility. As mentioned above, the Group strictly requires labour suppliers and hardware and software suppliers to comply with relevant environmental standards and regulations to strive for resource conservation and reduction of greenhouse gas emissions.

Social Matters

The Group places strong emphasis on promoting diversity and treating all its employees equally with regards to their recruiting, training, promotion, professional and personal development and strive to achieve a fair workplace where all employees are treated fairly and protect them from any discrimination of gender, orientation, age, ethnicity, family status or any other personal characteristics. Further, promotion within the Group would be based solely on the employee’s performance, experience and capability. For details, please refer to the paragraph headed “Employee” in this section. As for board diversity, please refer to the paragraph headed “Directors and senior management – Board diversity policy” in this document.

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The Group actively evaluates existing and potential labor suppliers and hardware and software suppliers with the purpose of ensuring ethical and responsible practices throughout its supply chain. By thoroughly assessing suppliers' compliance with labour laws, safe working conditions, and non-discrimination policies, the Group aims to create a fair and inclusive workplace environment. The evaluation process also serves to mitigate social risks and promote sustainability within the supply chain. Through these assessments, the Group strives to select suppliers who uphold fair and ethical practices, aligning with its commitment to responsible business conduct.

The Group is committed to giving back to the society. In addition to maintaining a safe and sustainable operations environment, the Group actively embodies its core values of serving the social community. During the Track Record Period, the Group contributed approximately RMB0.5 million in aggregate to different governmental bodies and charitable foundations in the PRC as donations to support various poverty relief activities and rural revitalisation projects and as sponsorships for students from low-income families. Furthermore, in August 2022, the Group participated in a voluntary activity organised by the local government in celebration and recognition of the contributions of the local firefighters, during which the Group's representatives delivered daily supplies to the local firefighters as a gesture of appreciation and support. The Group will continue to devote resources to various educational, cultural and social welfare charitable initiatives, demonstrating its commitment to being a responsible corporate.

INSURANCE

During the Track Record Period, the Group maintained insurance that covered property, motor vehicle and workers compensation. However, the Group did not obtain any business interruption or litigation insurance policies, which are not mandatory according to the laws and regulations of the PRC. The Directors consider that the existing insurance coverage is in line with industry norms and is sufficient for the Group's present operations. As confirmed by the PRC Legal Advisers, save for the failure of Zhonggan Communication, the Shanghai and Guizhou branch offices of Zhonggan Communications and GLP Technology to make full contribution to the social insurance and housing provident funds for some of its employees as disclosed in the paragraph headed “Legal proceedings and compliance” in this section, the Group had duly maintained all insurance policies in compliance with the relevant PRC laws and regulations. Please refer to the section headed “Risk Factors – Risks relating to the Group's business – The Group's insurance coverage may not be sufficient to cover all losses or potential claims which would affect the Group's business, financial condition and results of operations” in this document for more details. Save for the fatal incident as disclosed in the paragraph headed “Employees – Work safety” in this section, the Directors confirm that during the Track Record Period and up to the Latest Practicable Date, no material claims had been made against the Group's insurance policies.

For the years ended 31 December 2021, 2022 and 2023, the Groups' insurance expenses (excluding social insurance and housing provident fund contributions) were approximately RMB351,000, RMB327,000 and RMB227,000, respectively.

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PROPERTIES

Owned Property

The Group, through GLP Technology, owns 28 units located at No.2301-2328, 23/F, 2# Office Building, Landmark Commercial Plaza, No.169 Qianhu Avenue, Honggutan New District, Nanchang City, Jiangxi Province, the PRC. The total gross floor area of these units is 1371.08 sq.m. As at the Latest Practicable Date, the Group has obtained the valid ownership certificates for the units. The Group is intended to use the units as offices.

The Group, through Zhonggan Communication, owned one building located at Block 99, 2799 Tianxiang Avenue, Nanchang Jiahai Industrial Park, Nanchang High-tech Industrial Development Zone, Nanchang City, Jiangxi Province, the PRC. The gross floor area of this building is 12,569.06 sq.m.. As at the Latest Practicable Date, the Group has obtained the valid building ownership certificate for the building issued by the Nanchang City Real Estate Registration Bureau (南昌市不動產登記局). While the approved use of the owned property is industrial, the actual uses of the property were for ancillary uses with integrated functions of training and hospitality. According to the relevant PRC laws and regulations, Zhonggan Communication might be ordered to rectify the unapproved use of the owned property by the competent authorities and if it fails to rectify within a prescribed period, Zhonggan Communication may be subject to a maximum potential penalty of RMB200,000. As advised by the PRC Legal Advisers, given that (i) the abovementioned actual uses of the Group's owned property were approved in the work conferences of the Office of the Management Committee of the Chinese Communist Party Working Committee of Nanchang High-Tech Zone* (南昌高新區黨工委管委會辦公室)(the “**Nanchang High-Tech Zone Management Committee**”) in November 2017 and May 2021, respectively, and (ii) the Group has obtained the written confirmation letters dated 16 March 2023 and 25 January 2024 from the High-tech Branch of the Nanchang Natural Resources and Planning Bureau (the “**Bureau**”), which is a competent authority, confirming that Zhonggan Communication were not penalised by the Bureau from 1 January 2020 to 25 January 2024, and (iii) the Group has also obtained a written confirmation dated 1 February 2024 from the Management Committee of the Urban and Rural Construction Bureau of Nanchang High-tech Industrial Development Zone (南昌高新技術產業開發區管理委員會城鄉建設局), which is a competent authority, confirming that Zhonggan Communication was not in violation of the relevant laws and regulations relating to housing construction, the risk of Zhonggan Communication being fined for the non-compliance with the approved use of the self-owned property is remote. Further, the Controlling Shareholders have undertaken to fully indemnify the Group all claims, losses, liabilities, damages, costs, charges, fees, expenses and fines incurred by the Group as a result of such non-compliance.

Zhonggan Communication has entered into five lease agreements to lease out part of its self-owned property. Among the five lease agreements, four were entered into with its subsidiaries namely GLP Technology, GLP Software, Gantong Jiangxi and Jiangxi Zhongge, and the remaining one was entered into with an Independent Third Party. As confirmed by the PRC Legal Advisers, the abovementioned lease agreements are in compliance with the relevant laws and regulations.

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Pursuant to Rules 5.01A(1) and 5.01B(1) of the Listing Rules, if the carrying amount (as defined in Rule 5.01(1) of the Listing Rules) of a property interest (as defined in Rule 5.01(3) of the Listing Rules) that forms part of property activities (as defined in Rule 5.01(2) of the Listing Rules) is or is above 1% of its total assets (as defined in Rule 5.01(4) of the Listing Rules), the document must include the full text of a valuation report for such property interest. As at 31 December 2023, being the date of which the most recent audited consolidated statements of the financial position of the Group, the carrying amount of its property interest that formed part of its property activities was or was above 1% of its total assets. Thus, a property valuation report in respect of the Group's owned property is included in this document. For further details of the Group's owned property, please refer to the property valuation report issued by HG Appraisal & Consulting Limited, the text of which is set out in Appendix III to this document.

Leased Properties

As at the Latest Practicable Date, the Group leased four properties in the PRC with an aggregated lease area of approximately 2,512 sq.m. for use primarily as offices. All leased properties are leased from Independent Third Parties.

Failure to file lease agreements with the local housing administration authorities

The lease agreement of one of the abovementioned leased properties had not been filed with the local housing administration authorities by the Group and the lessor jointly during the Track Record Period as required under the applicable PRC law, primarily due to the handling personnel, who was responsible for property leasing of the Group, being unfamiliar with the relevant regulatory requirements. As advised by the PRC Legal Advisers, failure to file the lease agreement would not affect the validity of such lease agreement. According to the relevant PRC laws and regulations, the Group might be ordered to rectify this failure by the competent authorities and if it fails to rectify within a prescribed period, a penalty of RMB1,000 to RMB10,000 per agreement may be imposed on it as a result. As such, the estimated maximum potential penalties that might be imposed on Zhonggan Communication, in the absence of rectification, would amount to RMB10,000 for the above non-filing incident. Upon discovery of such non-filing incident, the Group took immediate action to rectify the situation by promptly completing the required filing with the local housing administration authority. As confirmed by the PRC Legal Advisers, the filing of the lease agreement has been properly completed as at the Latest Practicable Date.

As at the Latest Practicable Date, the Group had not received any notice from the relevant regulatory authority with respect to potential administrative penalties or enforcement actions as a result of its prior failure to file the lease agreements described above. Meanwhile, as at the Latest Practicable Date, the filings of these two lease agreements have been properly completed. Based on the above, the PRC Legal Advisers, are of the view that the risk of the Group being fined is remote. Further, the Controlling Shareholders have undertaken to fully indemnify the Group all claims, losses, liabilities, damages, costs, charges, fees, and expenses incurred by the Group as a result of such non-compliance.

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LEGAL PROCEEDINGS AND COMPLIANCE

As at the Latest Practicable Date, the Group was not engaged in any material litigation, arbitration or claim and as confirmed by the Directors no material litigation, arbitration or claim is pending or threatened by or against the Group that would have a material adverse effect on its results of operations or financial condition. The Directors confirm that the Group had not been involved in any non-compliance matters which had or may have a material adverse effect on its results of operations or financial conditions during the Track Record Period and up to the Latest Practicable Date, save for the following:

Financing Arrangement

Details of non-compliance

In 2019 and 2020, Zhonggan Communication entered into 11 bank loan agreements for procurement purpose with the Jiangxi Provincial Branch of Bank of Communications Co., Limited and Nanchang Xihu Branch of China Construction Bank Corporation (collectively the “**Lending Banks**”), respectively. According to these agreements, the Lending Banks were directed to release loans in Scenario 1 and Scenario 2 discussed below (collectively the “**Financing Arrangement**”). Pursuant to the relevant bank loan agreements, the terms included a loan term of one year, an interest rate linked to the China Loan Prime Rate set by the People’s Bank of China plus an additional basis point determined by the Lending Banks, and a repayment structure which provided for repayment of the principal at the end of the loan term, with monthly interest payments. The Directors are of the view that the relevant bank loan agreements were entered into on normal commercial terms taking into account that the comparability of the terms with other bank loans of similar size prevailing during the relevant period.

The Financing Arrangement involved Channeling Party A and Channeling Party B. As confirmed by the Directors, both Channeling Party A and Channeling Party B do not have any past or present relationship (including family, employment, business and financing) with Zhonggan Communication or its subsidiaries, their shareholders, directors or senior management, or any of their respective associates, apart from the Financing Arrangement. Details of these two scenarios are set out as follows:

Scenario 1

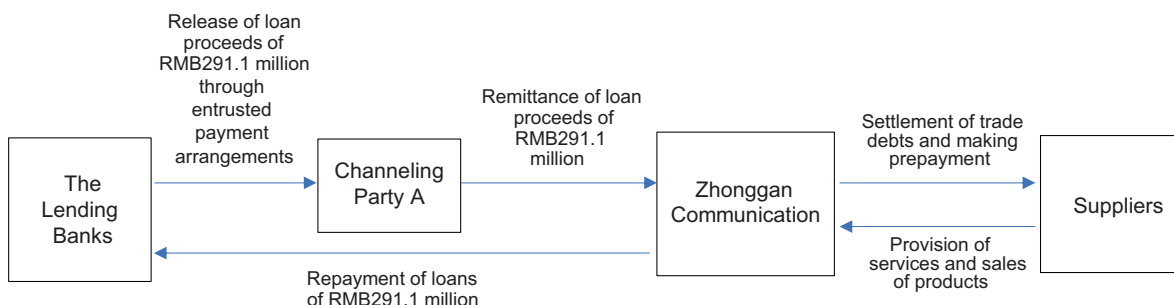
Channeling Party A, a private company established in March 2016 and based in Jiangxi Province with a registered share capital of RMB5.0 million, was principally engaged in the provision of labour services. Channeling Party A was deregistered in 25 August 2021. Before its deregistration, Channeling Party A provided labour services to telecommunications infrastructure construction companies. The sole shareholder of Channeling Party A, an Independent Third Party, maintained a longstanding personal relationship with the Controlling Shareholder, Mr. Liu Haoqiong. Mr. Liu Haoqiong has been in a friendly relationship with the sole shareholder of Channeling Party A for many years. In 2019, with the aim of diversifying the Group’s supplier selection, Zhonggan Communication started collaboration with Channeling Party A by engaging them as a labour supplier for the Group’s Telecommunications Infrastructure Services business segment.

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In the same year, the Group was awarded contracts for several Telecommunications Infrastructure Services projects. Subsequently, Zhonggan Communication and Channeling Party A entered into several procurement agreements relating to the provision of labour services for these projects. In order to bolster Zhonggan Communication’s liquidity for executing these projects, Zhonggan Communication applied to the Lending Banks for bank loans based on the procurement agreements with Channeling Party A. Consequently, the Lending Banks released the loan proceeds to Channeling Party A through entrusted payment arrangements. The expected contract sum of labour services to be procured by the Group from Channeling Party A as stipulated in the relevant procurement agreements was approximately RMB292.0 million. The amount of which was larger than the loan proceeds obtained from the Lending Bank through entrusted payment in the amount of approximately RMB291.1 million. At that time, the Group recorded the loan proceeds held by Channeling Party A as a prepayment in its financial statements. Due to financial resources management purposes, Channeling Party A transferred back the loan proceeds to Zhonggan Communication, and Zhonggan Communication would then apply the proceeds to settle its trade payables to Channeling Party A as they became due. Upon remittance of the loan proceeds by Channeling Party A to Zhonggan Communication, the prepayment was credited, and cash and cash equivalents were debited by Zhonggan Communication in its financial statements.

However, due to the outbreak of the COVID-19 pandemic in the PRC, the customers did not place any work order in relation to the projects and therefore Zhonggan Communication did not in turn place work orders to Channeling Party A accordingly. Subsequently, Channeling Party A decided to cease its operations due to economic uncertainty within the PRC. Consequently, there was no underlying transactions between Zhonggan Communication and Channeling Party A as basis for payment by the Lending Banks to Channeling Party A. The loan proceeds were used by Zhonggan Communication for its day-to-day operations, including settlement of trade debts, prepayment, and working capital. Pursuant to Article 19 of the General Lending Provisions (《貸款通則》) promulgated by the People’s Bank of China and the Article 9 of the Interim Measures for the Administration of Working Capital Loans (《流動資金貸款管理暫行辦法》), the borrower shall apply the loan in accordance with the stipulated purpose of the loan agreement. As there was no underlying transaction between Zhonggan Communication and Channeling Party A to support payment by the Lending Banks to Channeling Party A, as advised by the PRC Legal Adviser, the Financing Arrangement did not comply with the relevant loan agreements and the PRC laws and regulations. Further details are set out in the paragraph below headed “Opinions of the PRC Legal Advisers” in this section.

The following chart illustrates the fund flow of scenario 1:



Note: There was no significant time lag between the release of loan proceeds from the Lending Banks to Channeling Party A and the remittance of the loan proceeds from Channeling Party A to Zhonggan Communication.

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The Directors confirm that (i) they had no intention to commit the aforementioned non-compliance under the Financing Arrangement in relation to Channeling Party A, and (ii) the non-compliance was solely attributable to the fact that they were unaware that such arrangement with Channeling Party A was in breach of the relevant PRC laws and regulations until they were adequately advised by professionals on matters pertaining to the Financing Arrangement.

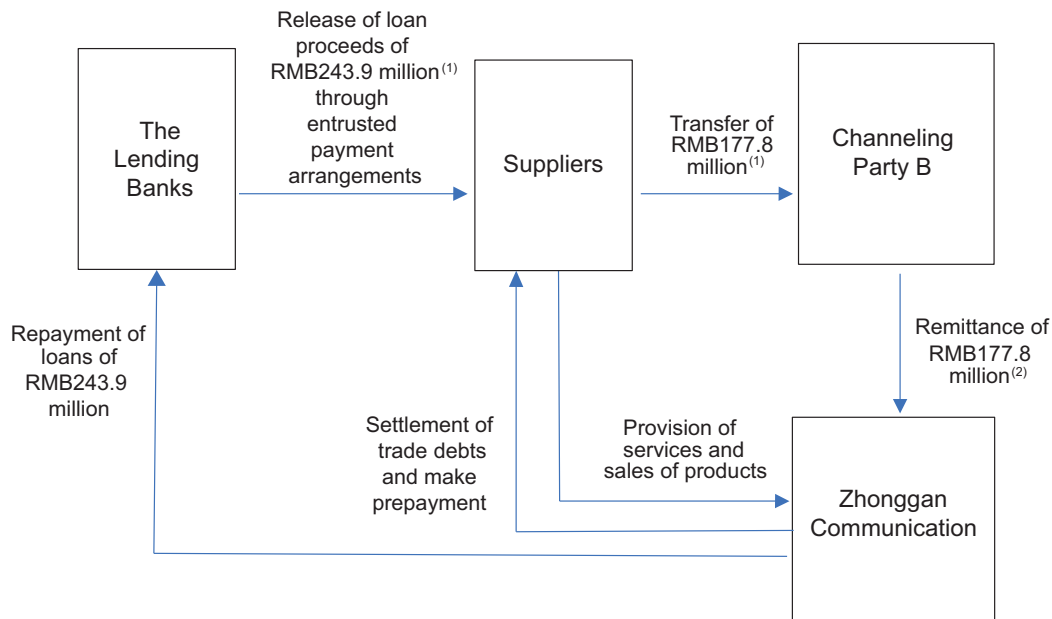
Scenario 2

Channeling Party B, a state-owned enterprise in Jiangxi Province with a registered share capital of RMB5,000 million, is principally engaged in the provision of financial leasing, commercial factoring and supply chain management, etc. In 2019 and 2020, Zhonggan Communication and certain suppliers, who has incurred a significant procurement cost and/or had relatively long business relationship with Zhonggan Communication, entered into several procurement agreements related to the provision of labour services for the Telecommunications Infrastructure Services projects. As for the amount of procurement costs for each of the years comprising the Track Record Period of the suppliers, please refer to the paragraphs headed “Business – Suppliers – Five largest suppliers” in this Document regarding transaction amount of the Supplier A, B and C. In order to bolster Zhonggan Communication’s liquidity for executing these projects, Zhonggan Communication applied to the Lending Banks for bank loans based on the procurement agreements with the suppliers entered into in 2019 and 2020 with aggregated amount of approximately RMB254.0 million served as a basis for the Group’s applications for entrusted loans with approximately RMB243.9 million. Consequently, the Lending Banks released the loan proceeds to the suppliers through entrusted payment arrangements. Due to financial resource management considerations of Zhonggan Communication, the suppliers transferred the loan proceeds back to Zhonggan Communication. Zhonggan Communication then used the loan proceeds to settle its trade payables to the suppliers. At that time, the management of Zhonggan Communication received compliance training from professionals for the preparation of the previous A-share listing plan. However, there was a misunderstanding regarding the relevant laws and regulations in the PRC. In particular, the management mistakenly believed that it was illegal for the suppliers to remit loan proceeds directly to Zhonggan Communication. In an earnest attempt to ensure compliance, Zhonggan Communication mistakenly instructed the suppliers to transfer the loan proceeds to Channeling Party B which then facilitated the transfer of funds back to Zhonggan Communication. At the time, Zhonggan Communication genuinely believed that this arrangement complied with applicable laws and regulations. When the loan proceeds were held by Channeling Party B, the other receivables was debited by the Group in its financial statements, subsequently Channeling Party B transferred back the loan proceeds to Zhonggan Communication, the other receivables was credited and cash and cash equivalents were debited by Zhonggan Communication in its financial statements.

Pursuant to Article 19 of the General Lending Provisions (《貸款通則》) promulgated by the People’s Bank of China and Article 9 of the Interim Measures for the Administration of Working Capital Loans (《流動資金貸款管理暫行辦法》), the borrower shall apply the loan in accordance with the stipulated purpose of the loan agreement. As advised by the PRC Legal Adviser, since the loan proceeds were transferred to Channeling Party B without any underlying transactions between Zhonggan Communication and Channeling Party B to support the bank loans, the Financing Arrangement was considered to be non-compliant with the relevant loan agreements and the laws and regulations of the PRC. This non-compliance persisted even if the loan proceeds were subsequently used to settle the trade debts owed to the suppliers as stated in the loan agreements. Further details are set out in the paragraph below headed “Opinions of the PRC Legal Advisers” in this section.

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The following chart illustrates the fund flow of scenario 2:



Notes:

1. The Group's suppliers received loan proceeds of approximately RMB243.9 million from the Lending Banks through entrusted payment arrangement for the period from July 2019 to December 2020. Out of this amount, RMB177.8 million was related to the Financing Arrangement, while the remaining RMB66.0 million was used by Zhonggan Communication to pay for labor services.

Of the RMB177.8 million, there was no significant time lag between the release of the loan proceeds of approximately RMB135.0 million from the Lending Banks to the suppliers and the transfer of the funds from the suppliers to Channeling Party B. For the remaining approximately RMB42.8 million, there was a significant time lag of nine to 15 months between the release of loan proceeds to the suppliers and the transfer of funds to Channeling Party B. As confirmed by the Directors, the significant time lag was primarily caused by a lack of effective internal control, resulting in inadequate communication between the Group's project managers and finance department. This resulted in a significant gap in information exchange, leading to notable discrepancies between the reported progress of the projects and the advanced payments made for them. Therefore, the finance department failed to recognise that several Group's projects had encountered delays, and as a result, the excess funds made for these projects remained with the suppliers, resulting in a failure to reconcile the amounts involved. In 2020, as part of the preparation for the previous plan for A-share listing, the Group conducted a thorough internal control review. During this review, the issue was identified and promptly addressed, and the Group took proactive measures to reclaim the excess fund from the suppliers. However, due to the suppliers' procedural requirements, additional processing time was necessary to facilitate the refunds. This further contributed to the delays in the refund process, ultimately extending the overall project timeline setback. For details, please refer to paragraphs headed "Internal control measures" in this section.

2. There was no significant time lag between the receipt of funds by Channeling Party B from the Group's suppliers and transfer of the same amount by Channeling Party B to Zhonggan Communication.

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Channeling Party B offered support for the fund transfer primarily based on two factors. Firstly, there existed a long-standing friendly relationship between a senior executive of Channeling Party B and the Controlling Shareholder, Mr. Liu Haoqiong. Secondly, Channeling Party B assessed that there were no potential legal risks associated with the fund transfer. As confirmed by the PRC Legal Advisers, (i) Channeling Party B did not violate Article 19 of the General Lending Provision (《貸款通則》) promulgated by the People's Bank of China and the Article 9 of the Interim Measures for the Administration of Working Capital Loans (《流動資金貸款管理暫行辦法》) as Channeling Party B was neither the lender nor the borrower as stated in the loan agreements and; (ii) Channeling Party B did not violate any other rules and legislations in the PRC in relation to the Financing Arrangement. As confirmed by Channeling Party B and the Directors, Channeling Party B did not (i) obtain any benefits from Zhonggan Communication as a result of the Financing Arrangement and (ii) have no other fund transaction or special interest arrangement with the Company or its subsidiaries and its actual controllers, shareholders, directors, supervisors, senior management, core technical personnel or any of their respective associates, apart from the Financing Arrangement.

The Directors confirm that they had no intention to commit the aforementioned non-compliance under the Financing Arrangement in relation to Channeling Party B. The Directors considered that the occurrence of the Financing Arrangement was solely attributable to the lack of awareness among senior management regarding its non-compliance with the applicable laws and regulations of the PRC. As above mentioned, due to a mistaken belief by the Directors that direct remittance to Zhonggan Communication was illegal, the Channeling Party B was involved to support the transfer of loan proceeds to Suppliers, resulting in a non-compliant Financing Arrangement. It was only subsequent to receiving sufficient advice from professionals on matters relating to the Financing Arrangement that they became aware of its non-compliant nature.

For the year ended 31 December 2020, the amount involved in the Financing Arrangement was RMB468,960,000, consisting of approximately RMB291,120,000 and RMB177,840,000, respectively, as shown in the fund flow charts above. After December 2020, the Financing Arrangement ceased. Besides, the outstanding amount of bank loans was fully settled in September 2021.

Reasons for the non-compliance

The Financing Arrangement occurred primarily because of (i) administrative convenience by maintaining readily available funds, saving time and administrative burden to obtain a bank loan for each transaction Zhonggan Communication made with its supplier in its daily operation and (ii) inadvertent oversight of the relevant PRC laws and regulations of some of its employees and the Directors.

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Impact on operational and financial position

The Directors considered, the Sole Sponsor concurred, that the Financing Arrangement has not had a material adverse impact on the Group’s operational and financial condition. Their view is supported by the following factors:

- (i) the loans under the Financing Arrangement were fully settled in September 2021 and no interest expenses were saved as a result of the Financing Arrangement, as the bank loans under the Financing Arrangement bore interest rates comparable to other bank loans of similar size prevailing at the time;
- (ii) the Lending Banks confirmed that Zhonggan Communication’s credit worthiness has not been affected by the Financing Arrangement, Zhonggan Communication has continued to cooperate with the Lending Banks and has successfully obtained loans from the Lending Banks since the termination of the Financing Arrangement after December 2020. As at 31 December 2023, the loans granted to Zhonggan Communication from the Nanchang Xihu Branch of China Construction Bank Corporation amounted to approximately RMB127 million. As at 31 December 2023, the loans granted to Zhonggan Communication from the Jiangxi Provincial Branch of Bank of Communications Co., Limited amounted to approximately RMB140 million; and
- (iii) the PRC Legal Advisers advised that the risk of Zhonggan Communication being penalised for the Financing Arrangement by the regulatory authorities and being subject to civil liabilities arising from civil claims from the Lending Banks is remote. Further details of which are set out in the paragraph below headed “Opinions of the PRC Legal Advisers” in this section.

Confirmation from the Lending Banks

The Zhonggan Communication reported the Financing Arrangement to the Lending Banks, in response, they confirmed that since 1 January 2019 (i) the loan proceeds have been applied in accordance with the relevant loan agreements; (ii) there is neither illegal use of the funds nor violation of the relevant loan agreements; and (iii) Zhonggan Communication’s credit worthiness has not been affected by the Financing Arrangement.

Confirmation from the regulatory authorities

On 6 June 2022, Zhonggan Communication submitted the “Application of Zhonggan Communication (Group) Holdings Limited for Coordination with the People’s Bank of China on Matters Relating to Listing” * (《中贛通信(集團)有限公司關於協調人民銀行對上市有關懇請事項的申請》)(the “**Coordination Letter**”) to the Office of the Joint Conference on Listing of Enterprises in Jiangxi Province* (江西省企業上市工作聯席會議辦公室) and the Nanchang Municipal Finance Office (南昌市金融工作辦公室)(collectively referred to as the “**Municipal Finance Offices**”) to report the Financing Arrangement. The Coordination Letter was delivered by the Municipal Finance Offices to the Nanchang Central Sub-branch of the People’s Bank of China (“**PBOC**”) and the Jiangxi Office of China Banking and Insurance Regulatory Commission (“**CBIRC**”). In response, PBOC confirmed on 20 June 2022, 8 March 2023 and 11 March 2024, respectively that no administrative penalties have been imposed on Zhonggan Communication by the PBOC

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from 1 January 2019 to 20 June 2022 and from 1 January 2020 to 7 March 2023 and from 1 January 2019 to 11 March 2024 as a result of any violation of laws or regulations by Zhonggan Communication. In addition, CBIRC replied on 29 June 2022 that any administrative penalties imposed by CBIRC would be published on their website and no confirmation as to whether any administrative penalty has been imposed would be issued. As such, the PRC Legal Advisers conducted searches on the websites of CBIRC on 5 August 2022, 3 March 2023 and 20 March 2024 in relation to whether any administrative penalty has been imposed on the Zhonggan Communication, its subsidiaries and the Lending Banks for the Financing Arrangement. According to the search results, no such record has been found since 1 January 2019. In addition, CBIRC confirmed in an interview on 19 September 2023 that since 1 January 2019 (i) it was aware of the Financing Arrangement; (ii) Zhonggan Communication did not commit any material violation of laws and regulations in the banking industry during the Track Record Period; and (iii) no administrative penalties had been imposed on Zhonggan Communication and the Lending Banks as a result of the Financing Arrangement; and (iv) Zhonggan Communication and the Lending Banks will not be held accountable in the future as a result of the Financing Arrangement. On 11 March 2024, PBOC further provided a confirmation to confirm that (i) no administrative penalties had been imposed on Zhonggan Communication and the Lending Banks as a result of the Financing Arrangement; and (ii) Zhonggan Communication and the Lending Banks will not be held accountable in the future as a result of the Financing Arrangement.

As advised by the PRC Legal Advisers, CBIRC is the regulatory authority responsible for the supervision and regulation of banking institutions of the PRC and it is empowered to impose penalties on banking institutions which are in breach of relevant laws and regulations. On the other hand, the PBOC is the regulatory authority responsible for monitoring lending activities of banking institutions in the PRC.

Opinions of the PRC Legal Advisers

As advised by the PRC Legal Advisers, pursuant to Article 19 of the General Lending Provisions (《貸款通則》) promulgated by the PBOC and Article 9 of the Interim Measures for the Administration of Working Capital Loans (《流動資金貸款管理暫行辦法》), the borrower shall apply the loan proceeds in accordance with the stipulated purpose stated in the loan agreement. As it is considered that there is no underlying transactions between Zhonggan Communication and Channeling Party A and Channeling Party B as basis for the use of bank loans granted by the Lending Banks, the Financing Arrangement did not comply with the terms of the relevant loan agreements and the PRC laws and regulations.

The PRC Legal Advisers are of the view that the risk of Zhonggan Communication being penalised for the Financing Arrangement by the regulatory authorities and being subject to civil liabilities arising from civil claims from the Lending Banks is remote for the following reasons:

- (i) the loans involved were used to pay for engineering, labour procurement and other daily business operations. They were not used for securities investment, equity investment or real estate investment. The loans were not used in prohibited areas or for purposes restricted by the state from production and operation. Furthermore, the loans were not re-lent to obtain illegal income;

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- (ii) the loans involved were not fraudulent loans for the purpose of illegal possession, and the Financing Arrangement did not jeopardise the rights and interests of state financial institutions and financial security;
- (iii) the principal and interest of such loans had been fully settled in accordance with the provisions of the loan agreements and did not cause losses to the relevant Lending Banks, and no penalties were imposed on the Lending Banks by the relevant regulatory authorities during the Track Record Period;
- (iv) Zhonggan Communication has reported the Financing Arrangement to the Lending Banks and obtained confirmations from them to the effect that (a) the loan proceeds have been applied in accordance with the relevant loan agreements; (b) there is neither illegal use of the funds nor violation of the relevant loan agreements; and (c) Zhonggan Communication's credit worthiness has not been affected by the non-compliance;
- (v) Zhonggan Communication has reported the Financing Arrangement to Nanchang Central Sub-branch of PBOC and CBIRC, both of which are regulatory authorities. PBOC confirmed that no administrative penalties have been imposed on Zhonggan Communication since 1 January 2019, and CBIRC confirmed its awareness of the Financing Arrangement and also confirmed that Zhonggan Communication did not violate significant banking industry laws or regulations. No administrative penalties were imposed on the Lending Banks and no administrative penalties will be imposed in the future on Zhonggan Communication and the Lending Banks as a result of the Financial Arrangement as confirmed by PBOC and CBIRC;
- (vi) the Financing Arrangement did not constitute subjective malicious conduct, and Zhonggan Communication has actively rectified the relevant irregular conduct. It has also established and effectively implemented a targeted internal control system;
- (vii) Zhonggan Communication would also be indemnified by the controlling shareholders if it is ordered by the Lending Banks or relevant regulatory authorities to pay penalties; and
- (viii) the Directors and Channeling Party A and Channeling Party B confirmed that the Directors and senior management of the Group did not obtain any personal interest from the Financing Arrangement.

Internal control measures

To prevent reoccurrence of the non-compliant incident, the Group has adopted the following major internal control measures:

- (i) implementation of internal guidelines and policies for
 - (a) approving, reporting and monitoring financing activities, and
 - (b) prohibiting transactional financing activities without underlying transactions;

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- (ii) the Group's head of finance department shall review regularly all applications for financing activities together with the relevant underlying transactional agreements and assess the genuineness of the information contained in the application, and the application must then be approved by the chairman of the Board;
- (iii) the chairman of the Board, the chief executive and the chief financial officer will review the summary of the transactional financing activities on a monthly basis to ensure that the financing activities were conducted in compliance with internal guidelines and policies;
- (iv) the accounting staff shall perform ongoing monitoring of the loan proceeds' utilisation. They are also required to verify the reasons for any return of loan proceeds from suppliers to Zhonggan Communication and cross-check with the corresponding procurement documents; and
- (v) to strengthen internal supervision, the Group's audit department will closely monitor and review financing activities continuously to ensure that the Group's internal control measures are properly carried out.

During the process of preparing for the [REDACTED], Zhonggan Communication had engaged internal control consultants to perform internal control review of its business procedure. As advised by the internal control consultants, no material deficiency has been identified during the follow-up review in the enhanced internal control system in relation to the financing activities.

In order to prevent reoccurrence of the non-compliant incident, a training has also been provided by the PRC Legal Advisers to the Directors and the senior management covering areas including an introduction to non-compliant financing activities, the relevant PRC laws and regulations and the associated risks.

Given that (i) the non-compliant incident occurred mainly due to the Directors' misunderstanding of the relevant PRC laws and regulations until they were adequately advised by professionals on matters pertaining to the Financing Arrangement; (ii) the PRC Legal Advisers are of the view that the risk of Zhonggan Communication being penalised for the Financing Arrangement by the regulatory authorities and being subject to civil liabilities arising from civil claims from the Lending Banks is remote; (iii) the training provided to the Directors and senior management of the Group by the PRC Legal Advisers; (iv) the cessation of the Financing Arrangement since December 2020; and (v) the Group has adopted the abovementioned major internal control measures to prevent reoccurrence of the non-compliant incident, the Directors and the Sole Sponsor are of the view that the Financing Arrangement do not affect the Directors' suitability to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules or the Group's suitability for [REDACTED] under Rule 8.04 of the Listing Rules.

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Social Insurance Contributions

Details of non-compliance

During the Track Record Period,

- (i) Zhonggan Communication did not make social insurance contributions for some of its employees as required under PRC laws and regulations.
- (ii) Zhonggan Communication, its Shanghai and Guizhou Province branch offices, and GLP Technology did not make full social insurance contribution based on the respective employee's actual salary level for its employees as required under PRC laws and regulations.

The aggregate underpaid social insurance contributions for the years ended 31 December 2021, 2022 and 2023 amounted to approximately RMB660,000, RMB140,000 and RMB210,000, respectively.

Reasons for the non-compliance

These non-compliance incidents occurred primarily because of (i) inadvertent oversight of the relevant PRC laws and regulations; and (ii) some of its employees chose not to be enrolled in the social insurance fund as they did not want to bear their portion of the contributions.

Legal consequences and potential liabilities

The PRC Legal Advisers advised that, according to the Social Insurance Law of the PRC* (《中華人民共和國社會保險法》) and other relevant regulations, the relevant government authority may order the Group to pay the unpaid amount within a certain period and a late fee that equals to 0.05% of the total unpaid amount per day. If the Group fails to pay the unpaid amount or the late fee within the period, it may be subject to a fine ranging between one to three times of the total unpaid amount of the social insurance contribution.

As advised by the PRC Legal Advisers, pursuant to the Regulation of the Labour Protection Monitoring* (《勞動保障監察條例》), any non-compliance with labour protection laws and regulations will not be investigated if it is not identified or reported within two years from the date when such breach is committed or if such breach is a continuing breach, the date of cessation of such breach. Part of the outstanding social insurance contribution involved ex-employees whose employment with Zhonggan Communication has terminated for more than two years and are time-barred.

Remedial actions, impacts on the Group and internal control measures to minimise the risk of recurrence of non-compliance incidents

During the Track Record Period and up to the Latest Practicable Date, the Group had not received any orders or demands from the relevant government authorities requesting it to pay the shortfall in social insurance contributions or any penalties and there had been no complaints from the Group's employees regarding the non-compliance of social insurance contributions.

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The Group has obtained written confirmations from the relevant authorities as follows:

(i) *Zhonggan Communication and GLP Technology*

The Group has obtained two written confirmations, both dated 30 January 2024 from the Nanchang City Human Resources and Social Security Bureau* (南昌市人力資源和社會保障局), which is a competent authority, confirming that, there is no outstanding social insurance contribution (in respect of pension insurance, unemployment insurance and work-related injury insurance) due from Zhonggan Communication and GLP Technology during the Track Record Period and up to 30 January 2024.

The Group has also obtained two written confirmations, both dated 26 January 2024 from the Nanchang City Healthcare Security Bureau* (南昌市醫療保障服務中心), which is a competent authority, confirming that during the Track Record Period and up to 26 January 2024, there was no material violations of laws and regulations in relation to medical insurance and maternity insurance on the part of Zhonggan Communication and GLP Technology, that Zhonggan Communication and GLP Technology had not been subject to actual or potential investigation or punishment for violating the provisions of medical insurance laws, regulations, rules and other normative documents, has no record of being complained against or reported to, and has no relevant disputes, litigation or controversies with the bureau.

(ii) *Shanghai branch office of Zhonggan Communication*

According to the enterprise credit report dated 24 January 2024 issued by Shanghai Public Credit Information Service Center* (上海市公共信用信息服務中心), there was no violation of laws and regulations in relation to social insurance on the part of the Shanghai branch office of Zhonggan Communication during the Track Record Period.

(iii) *Guizhou branch office of Zhonggan Communication*

According to the enterprise credit report dated 5 March 2024 issued by National Enterprise Credit Information Publicity System (國家企業信用信息公示系統), there was no violation of laws and regulations in relation to social insurance on the part of the Guizhou branch office of Zhonggan Communication during the Track Record Period.

Given the above confirmations from the relevant competent authorities, the PRC Legal Advisers are of the opinion that the risk of the Group being fined is remote provided that it pays the unpaid amount, and late fee (if any), for social insurance in full amount within the prescribed period after receiving notices to rectify such non-compliance from the relevant PRC authorities. The Group would also be indemnified by the Controlling Shareholders if it is ordered by the relevant government authority to pay any outstanding social insurance contribution or penalty.

Given the above and taking into consideration that the Controlling Shareholders have provided an indemnity in favour of the Group in respect of the non-compliance, the Directors believe that there will not be any material adverse impact on the Group's overall business, financial condition or results of operations.

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The Group will make full social insurance contributions for its employees based on the respective employee’s actual salary level according to PRC laws and regulations on or before the [REDACTED]. In order to prevent future potential non-compliance incidents in relation to social insurance contributions, the Group has adopted various measures including: (i) designating personnel of human resources department for calculation and payment of social insurance contributions; and (ii) providing training to the relevant personnel of the human resources department.

Housing Provident Fund Contributions

Details of non-compliance

During the Track Record Period,

- (i) Zhonggan Communication did not make housing provident fund contributions for some of its employees as required under PRC laws and regulations.
- (ii) Zhonggan Communication, the Shanghai and Guizhou branch offices of Zhonggan Communication and GLP Technology did not make full housing provident fund contribution based on the respective employee’s actual salary level for its employees as required under PRC laws and regulations.

The aggregate underpaid housing provident funds for the years ended 31 December 2021, 2022 and 2023 amounted to approximately RMB140,000, RMB160,000 and RMB270,000, respectively.

Reasons for the non-compliance

These non-compliance incidents occurred primarily because of (i) inadvertent oversight of the relevant PRC laws and regulations; and (ii) some of its employees chose not to be enrolled in the housing provident fund as they did not want to bear their portion of the contributions.

Legal consequences and potential liabilities

According to the Regulations on Management of Housing Provident Fund* (《住房公積金管理條例》), if a company fails to pay or does not contribute to the housing provident fund within the prescribed time period, the relevant government authority may order it to make up the outstanding contributions within the prescribed time limit, and failing which, the relevant authority may apply for compulsory enforcement by the People’s Court. If the employer fails to complete the registration formalities within the prescribed time limit, it will be subject to a fine from RMB10,000 to RMB50,000.

Remedial actions, impacts on the Group and internal control measures to minimise the risk of recurrence of non-compliance incidents

During the Track Record Period and up to the Latest Practicable Date, the Group had not received any orders or demands from the relevant government authorities requesting it to pay the shortfall in housing provident fund contributions or any penalties and there had been no complaints from the Group’s employees regarding the non-compliance of housing provident fund contributions.

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The Group has obtained written confirmations from the relevant authorities as follows:

(i) *Zhonggan Communication and GLP Technology*

The Group has obtained two written confirmations, both dated 25 January 2024 from the Nanchang Housing Provident Fund Management Centre* (南昌住房公積金管理中心), which is a competent authority, confirming that there was no violations of laws and regulations in relation to housing provident fund contribution on the part of Zhonggan Communication and GLP Technology.

(ii) *Shanghai branch office of Zhonggan Communication*

According to the enterprise credit report dated 24 January 2024 issued by Shanghai Public Credit Information Service Center* (上海市公共信用信息服務中心), there was no violation of laws and regulations in relation to housing provident fund contribution on the part of the Shanghai branch office of Zhonggan Communication during the Track Record Period.

(iii) *Guizhou branch office of Zhonggan Communication*

According to the enterprise credit report dated 5 March 2024 issued by National Enterprise Credit Information Publicity System (國家企業信用信息公示系統), there was no violation of laws and regulations in relation to housing provident fund contribution on the part of the Guizhou branch office of Zhonggan Communication during the Track Record Period.

Zhonggan Communication and GLP Technology have undertaken to make full housing provident fund contribution on or before **[REDACTED]**.

Given the above confirmations from the relevant competent authorities, the PRC Legal Advisers are of the opinion that the risk of the Group being fined is remote provided that it pays the unpaid amount, and late fee (if any), for housing provident fund contribution in full amount within the prescribed period after receiving notices to rectify such non-compliance from the relevant PRC authorities. The Group would also be indemnified by the Controlling Shareholders if it is ordered by the relevant government authority to pay any outstanding housing provident fund contribution or penalty.

Given the above and taking into consideration that the Controlling Shareholders have provided an indemnity in favour of the Group in respect of the non-compliance, the Directors believe that there will not be any material adverse impact on the Group's overall business, financial condition or results of operations.

The Group will make full housing provident fund contributions for its employees based on the respective employees' salary level accounting to the PRC Laws and regulations on or before the **[REDACTED]**. In order to prevent future potential non-compliance incidents in relation to housing provident fund contributions, the Group has adopted various measures including: (i) designating personnel of human resources department for calculation and payment of housing provident funds contributions; and (ii) providing training to the relevant personnel of the human resources department.

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RISK MANAGEMENT AND INTERNAL CONTROL

With the growth and expansion of the Group's operations, potential risks associated with the business of the Group increases. It is the responsibility of the Board to ensure that the Group maintains sound and effective internal control measures to safeguard Shareholders' investment and the assets of the Group at all times. In order to identify, assess and control the risks that may create impediments to the growth of the business of the Group, the Group has adopted, or expect to adopt before the [REDACTED], a series of internal control policies, and procedures designed to provide reasonable assurance for achieving objectives, including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations and to implement risk management policies to address various potential risks identified in relation to its operations, including operational risks, credit risks, market risks, financial risk and legal risks. In particular, the Group has taken certain measures and has established various structures and policies as follows to strengthen its internal control and to manage its risks:

- a thorough examination by the Board of any material risks associated with any material business decision before approving such decision;
- the Directors and senior management are required to keep track of day-to-day operations and monitor any associated operational risks of the Group and to formulate policies and resolutions to mitigate or resolve these risks;
- the engagement of an independent internal control consultant to assist the Group in reviewing and to provide recommendations on improving its internal control system. Taking into account the recommendation of such review by the independent internal control consultant, the Group enhanced its internal control system accordingly;
- the establishment of the Audit Committee which will review the Group's internal control system and procedures for compliance with the requirements prescribed by the applicable laws, rules and regulations;
- the appointment of Zhongtai International Capital Limited as the Group's compliance adviser pursuant to Rule 3A.19 of the Listing Rules upon the [REDACTED] to advise it on compliance with the Listing Rules;
- the engagement of external legal advisers to advise the Group on compliance with and to provide it with updates on the changes in the Listing Rules and the applicable laws, rule and regulations from time to time and as required;
- the provision of training to relevant employees in order to enhance their industry knowledge and to encourage an encompassing culture of risk management ensuring that relevant employees are aware of and responsible for risk management; and
- the establishment of an in-house legal and compliance team which consists of executive Director of the Company to organise, review and maintain its internal control system and to provide assistance to the Directors, senior management and employees with respect to internal control policies (where necessary).