



WELLCELL

WellCell Holdings Co., Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 02477

INTERIM REPORT 2024

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Lin Qihao

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mr. Yiu Chun Wing (resigned on 17 May 2024)
Mr. Siu Chun Pong Raymond (appointed on 17 May 2024)

DEPUTY COMPANY SECRETARY

Ms. Tang So Him (appointed on 17 May 2024)

AUTHORISED REPRESENTATIVES

Mr. Jia Zhengyi
Mr. Yiu Chun Wing (resigned on 17 May 2024)
Mr. Siu Chun Pong Raymond (appointed on 17 May 2024)

AUDITORS

PricewaterhouseCoopers

LEGAL ADVISOR AS TO HONG KONG LAW

TC & Co., Solicitors

COMPLIANCE ADVISER

Halcyon Capital Limited

PRINCIPAL BANK

Bank of China Limited
Bank of Communications (Hong Kong) Limited

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

CORPORATE INFORMATION

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN THE PRC

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

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

Room 704, 7/F
Jubilee Centre
18 Fenwick Street
Wan Chai, Hong Kong

COMPANY WEBSITE

<http://www.wellcell.com.cn>

STOCK CODE

Hong Kong Stock Exchange: 2477

FINANCIAL HIGHLIGHTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Audited)
Revenue	106,092	113,838
Other income	667	1,224
Other gains — net	1,435	238
Operating profit	10,919	18,049
Profit before tax	12,150	17,661
Profit for the period	10,721	14,658

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
	Assets	
Non-current assets	10,273	3,105
Current assets	264,745	180,487
Total assets	275,018	183,592
Liabilities		
Non-current liabilities	1,306	4,098
Current liabilities	82,716	94,344
Total liabilities	84,022	98,442
Total equity	190,996	85,150
Total equity and liabilities	275,018	183,592

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

As the first half of 2024 comes to an end, in facing a complex and ever-changing foreign and domestic market environment and intense competition within the industry, WellCell Holdings Co., Limited (the “**Company**”, together with its subsidiaries, collectively, the “**Group**”) has been able to maintain a strong presence among domestic information communication technology (“**ICT**”) industry with its strong resilience and adaptability.

Although the Company is facing the pressure of declining performance, it has effectively safeguarded its sound operation through measures such as refined management, cost control and cash flow management. At the same time, the Company has actively adjusted its capital structure and optimized its assets allocation, to reserve sufficient ammunition for future development.

In the People’s Republic of China (the “**PRC**”), the ICT industry is in a critical period of digital transformation, and the deep integration of technologies such as 5G, IoT, cloud computing, big data and artificial intelligence has brought unprecedented development opportunities for the industry. However, as the market becomes saturated, competition is becoming increasingly fierce, especially in the traditional business areas such as network optimisation and operation and maintenance, where price wars are fierce and profit margins are compressed. At the same time, customer demand for service quality, technological innovation and personalized solutions continues to rise, placing higher demands on the comprehensive capabilities of enterprises.

On the international front, although the trend of globalization faces many challenges, cross-border cooperation and exchanges in the ICT industry continue to deepen. The huge demand for ICT infrastructure construction in overseas markets, especially in developing countries, provides a broad space for companies to expand into the international market. However, uncertainties in the international trade environment, cultural differences, technical barriers and other factors also pose challenges to the Company’s overseas expansion.

Wireless telecommunication network enhancement services and telecommunication network infrastructure maintenance and engineering services

As the cornerstone business of the Company, this segment maintains stability while actively responding to market changes, and strives to improve customer satisfaction and market share through technology upgrades and service innovations.

ICT integration services

In the face of intensifying market competition, the Company has increased its investment in this area, focusing on industry solutions and providing one-stop services which include consulting, design, implementation to operation and maintenance to meet the increasingly complex needs of customers.

Software development and related service

As an important direction for the Company’s future development, the Company continues to increase its investment in software development and platform construction, promote product iteration and upgrade and accelerate technological innovation and transformation of results.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group principally derive its revenue from the provision of wireless telecommunication network enhancement services, telecommunication network infrastructure maintenance and engineering services and ICT integration services during the six months ended 30 June 2024 (the “**Reporting Period**”). The following table sets out a breakdown of the Group’s revenue by nature.

	Six months ended 30 June	
	2024 Unaudited RMB'000	2023 Audited RMB'000
Wireless telecommunication network enhancement services	41,136	42,404
Telecommunication network Infrastructure maintenance and engineering services	16,842	18,709
ICT integration services	32,240	35,550
Software-related business ^(Note)	15,874	17,175

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

Wireless telecommunication network enhancement services

The revenue derived from the wireless telecommunication network enhancement services decreased by approximately RMB1.3 million or approximately 3.1% from approximately RMB42.4 million for the six months ended 30 June 2023 to approximately RMB41.1 million for the six months ended 30 June 2024. The decrease was mainly due to the fierce competition and saturation in the domestic market, hence the revenue generated from its major customers have dropped during the six months ended 30 June 2024.

Telecommunication network infrastructure maintenance and engineering services

The revenue derived from the telecommunication network infrastructure maintenance and engineering services decreased by approximately RMB1.9 million or approximately 10.2% from approximately RMB18.7 million for the six months ended 30 June 2023 to approximately RMB16.8 million for the six months ended 30 June 2024. The decrease was mainly due to one of its customers was lost during the six months ended 30 June 2024.

ICT integration services

The revenue derived from the ICT integration services decreased by approximately RMB3.4 million or approximately 9.6% from approximately RMB35.6 million for the six months ended 30 June 2023 to approximately RMB32.2 million for the six months ended 30 June 2024. The decrease was mainly due to the fierce competition and saturation in the domestic market, the revenue generated from its major customers have dropped during the six months ended 30 June 2024.

Software-related business

The revenue derived from the software-related business decreased by approximately RMB1.3 million or approximately 7.6% from approximately RMB17.2 million for the six months ended 30 June 2023 to approximately RMB15.9 million for the six months ended 30 June 2024. The decrease was mainly due to the decrease in the number of revenue-generating projects during the six months ended 30 June 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income

The Group's other income decreased by approximately RMB0.5 million or approximately 41.7% from approximately RMB1.2 million for the six months ended 30 June 2023 to approximately RMB0.7 million for the six months ended 30 June 2024. The decrease was mainly due to the decrease in VAT refund to the Group for the six months ended 30 June 2024.

Other gains – net

The Group's other gains, net increased by approximately RMB1.2 million or approximately 600.0% from approximately RMB0.2 million for the six months ended 30 June 2023 to approximately RMB1.4 million for the six months ended 30 June 2024. The increase was mainly due to the increase in exchange gains for the six months ended 30 June 2024.

Employee benefit expenses

The Group's employee benefit expenses increased by approximately RMB0.6 million or approximately 6.6% from approximately RMB9.1 million for the six months ended 30 June 2023 to approximately RMB9.7 million for six months ended 30 June 2024. The increase was mainly due to the increase in wages and salaries and other staff welfares following the increase in the average number of employees during the six months ended 30 June 2024.

Subcontracting charges

The Group's subcontracting charges increased by approximately RMB1.8 million or approximately 2.8% from approximately RMB63.2 million for the six months ended 30 June 2023 to approximately RMB65.0 million for the six months ended 30 June 2024. The increase was mainly due to the considerations of labor costs and workforce risks. The Company is optimising its organisation structure and strive to retain its core and major R&D personnel. The general workforce of the Group are mainly obtained through human resources procurement and labor outsourcing.

Materials, supplies and other project costs

The Group's materials, supplies and other project costs decreased by approximately RMB5.8 million or approximately 39.5% from approximately RMB14.7 million for six months ended 30 June 2023 to approximately RMB8.9 million for the six months ended 30 June 2024. The decrease was mainly due to (i) in line with the declining in the revenue; and (ii) more projects were outsourced to its subcontractors during the six months ended 30 June 2024 and therefore, purchase of materials, supplies and other project costs have been decreased.

Depreciation and amortisation

The Group's depreciation and amortisation expenses slightly decreased by approximately RMB0.2 million approximately 16.7% from approximately RMB1.2 million for the six months ended 30 June 2023 to approximately RMB1.0 million for the six months ended 30 June 2024.

Net impairment losses of contract assets and trade receivables

The Group's net impairment losses of contract assets and trade receivables increased by approximately RMB2.1 million or approximately 161.5% from approximately RMB1.3 million for the six months ended 30 June 2023 to approximately RMB3.4 million for the six months ended 30 June 2024. The increase was mainly due to the increase in outstanding balances of contract assets and trade receivables as at 30 June 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Other operating expenses

The Group's other operating expenses increased by approximately RMB1.3 million or approximately 72.2% from approximately RMB1.8 million for the six months ended 30 June 2023 to approximately RMB3.1 million for the six months ended 30 June 2024. The increase was mainly due to the increase in the legal and professional fee.

Listing expenses

The Group's listing expenses slightly increased by approximately RMB0.4 million or approximately 6.8% from approximately RMB5.9 million for the six months ended 30 June 2023 to approximately RMB6.3 million for the six months ended 30 June 2024.

Finance income/(costs), net

The Group's net finance income was approximately RMB1.2 million for the six months ended 30 June 2024 (for the six months ended 30 June 2023: net finance costs of approximately RMB0.4 million). The change was mainly due to the increase in bank interest income arising from the net proceeds from the Share Offer (as defined in the Prospectus) placed in bank during the six months ended 30 June 2024.

Income tax expenses

The Group's income tax expenses decreased by approximately RMB1.6 million or approximately 53.3% from approximately RMB3.0 million for the six months ended 30 June 2023 to approximately RMB1.4 million for the six months ended 30 June 2024. The decrease was mainly due to the decrease in corporate income tax as there is a tax deduction for research and development expenditure incurred by our PRC subsidiary and no dividend withholding tax was incurred during the six months ended 30 June 2024.

Operating profit

The Group's operating profit decreased by approximately RMB7.1 million or approximately 39.4% from approximately RMB18.0 million for the six months ended 30 June 2023 to RMB10.9 million for the six months ended 30 June 2024. The decrease in our operating profit was mainly due to the decrease in the revenue and the increase of (i) subcontracting charges, (ii) project costs, (iii) net impairment losses of contract assets and trade receivables and (iv) other operating expenses as explained above.

Net profit margin

The Group's net profit margin decreased from approximately 12.9% for the six months ended 30 June 2023 to approximately 10.1% for the six months ended 30 June 2024 which is mainly due to the increase in the proportion of subcontracting charges, materials, supplies and other project costs, net impairment losses of contract assets and trade receivables and other operating expenses as explained above.

Interim dividend

The board of directors (the "Board") did not recommend the payment of an interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: the Group declared and paid dividends to its then shareholders of RMB14,332,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Position, Liquidity and Capital Resources

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

Cash position

As at 30 June 2024, the cash and cash equivalents of the Group amounted to approximately RMB99.4 million (as at 31 December 2023: approximately RMB23.8 million), which were mainly denominated in RMB and Hong Kong Dollar, representing an increase of approximately 317.6% as compared to that as at 31 December 2023. The increase was mainly due to the receipt of net proceeds from the Share Offer by the Group during the six months ended 30 June 2024.

Borrowings

As at 30 June 2024, the total bank borrowings of the Group, all of which were denominated in RMB, amounted to RMB20.0 million (as at 31 December 2023: RMB28.0 million) that bear floating interest rates from 2.95% to 2.98% per annum (as at 31 December 2023: 3.7% to 4.1%). No financial instrument was being used for interest rate hedging purpose. Details of the maturity profile of the bank borrowings are set out in note 17 to this report.

Save as disclosed in this report, the Group did not have other borrowings as at 30 June 2024 and 2023.

As at 30 June 2024, the unutilised bank facility amounted to approximately RMB15 million (as at 31 December 2023: approximately RMB7 million) which we may further draw down depending on our business needs.

Charges over assets of the Group

As at 30 June 2024, the Group has pledged deposits amounting to approximately RMB282,000 (as at 31 December 2023: approximately RMB301,000) as securities for certain customer projects as securities for wages and bills payables issued by the banks.

Gearing ratio

The gearing ratio of the Group, which is calculated as total bank borrowings divided by total equity, was approximately 10.5% as at 30 June 2024 compared to that of approximately 32.9% as at 31 December 2023. The decrease in the Group’s gearing ratio was mainly attributable to the proceeds from the Share Offer and partial settlement of bank borrowings during the six months ended 30 June 2024.

Foreign exchange exposure and treasury policies

The Group’s business operations are conducted in the PRC. The transactions, monetary assets and liabilities of the Group are mainly denominated in RMB and Hong Kong Dollar. For the six months ended 30 June 2024 and the year ended 31 December 2023, there was no material adverse impact to the Group arising from the fluctuation in the foreign exchange rates between currencies.

The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure for the six months ended 30 June 2024.

The directors (the “**Directors**”) of the Company will continue to follow a prudent policy in managing the Group’s cash and maintaining a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital commitments

As at 30 June 2024, the Group did not have any material capital commitments (as at 31 December 2023: Nil).

Employees and remuneration policy

As at 30 June 2024, the Group had 119 (as at 31 December 2023: 121) employees who include the Directors. Total wages and salaries (including Directors' emoluments) were approximately RMB7.3 million for the six months ended 30 June 2024 as compared to approximately RMB7.2 million for the six months ended 30 June 2023.

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

The remuneration packages of the employees and executives are based on their performance, qualifications, competence demonstrated and market comparable remuneration. A remuneration package typically comprises salary, contribution to pension schemes and discretionary bonuses relating to the profit of the Company. Upon and after the listing, the remuneration packages of the Directors and the senior management will, in addition to the above factors, be linked to the return to the shareholders of the Company. The Remuneration Committee will review annually the remuneration packages of all the Directors and senior management to ensure that they are attractive enough to attract and retain a competent team of executive members.

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

During the six months ended 30 June 2024, there were no significant investments held, nor were there any material acquisitions or disposals of subsidiaries and affiliated companies by the Company during the six months ended 30 June 2024 and up to the date of this report.

Contingent liabilities

As at 30 June 2024, the Group did not have any material contingent liability (as at 31 December 2023: Nil).

Use of proceeds

The Company issued 125,000,000 Shares at HK\$1.00 which were listed on the Main Board of the Stock Exchange on 12 January 2024. As a result, the net proceeds from the Share Offer are approximately HK\$60.6 million (equivalent to approximately RMB56.0 million) (the "**Net Proceeds**") after deducting underwriting commissions and other related expenses. There has been no change in the intended use of the net proceeds and the expected implementation timeline as previously disclosed in the section headed "Future Plans and Use of Proceeds" in our Prospectus and the annual report of the Company for the year ended 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth a summary of the intended use of net proceeds and their expected timeline of full utilisation. The following table sets out the details of the application of the Net Proceeds:

Purpose	Percentage of Net Proceeds from the Share Offer	Allocation of net proceeds from the Share Offer	Actual use of proceeds from	Unutilised Net Proceeds as at 30 June 2024	Expected timeline of full utilisation proceeds
		in the proportion (based on the basis as set out in the Prospectus)	the date of listing up to 30 June 2024		
		RMB million (approximately)	RMB million (approximately)	RMB million (approximately)	
Finance the initial funding needs of our future ICT integration projects	20.5%	11.5	6.8	4.7	By the end of 2027
Pursue new research and development undertakings	34.6%	19.4	2.5	16.9	By the end of 2027
Expand our manpower in project management to cater for the anticipated expansion plans and business growth	19.8%	11.1	—	11.1	By the end of 2026
Finance our sales and marketing funding needs for expansion of manpower and marketing activities	5.4%	3.0	0.2	2.8	By the end of 2026
Repay part of our bank borrowings	12.9%	7.2	7.2	—	Not applicable
General working capital	6.8%	3.8	1.4	2.4	By the end of 2025
	100%	56.0	18.1	37.9	

The unutilised amounts of the Net Proceeds will be applied in the manner consistent with that mentioned in the Prospectus. The Directors are not aware of any material change to the planned use of Net Proceeds as at the date of this report.

The unused Net Proceeds have been placed as bank balances with licensed bank in Hong Kong as at the date of this report.



OTHER INFORMATION

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the applicable code provisions of the Corporate Governance Code (“**CG Code**”) contained in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) during the six months ended 30 June 2024, save for the following deviation of code provision C.2.1:

CHAIRMAN AND CHIEF EXECUTIVE

Code provision C.2.1 of the CG Code stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. During the Reporting Period, Mr. Jia Zhengyi (“**Mr. Jia**”) is the chairman of the Board and the chief executive officer of the Company. The Board considered that Mr. Jia is one of the founders of the Group and has been operating and managing the Group since its establishment in 2003, the Board believes that it is in the best interests of the Group to have Mr. Jia holding both roles for efficient overall management and business development. Therefore, the Directors consider that the deviation from the code provision C.2.1 is appropriate in such circumstance until such time as the Board considers that such roles should be assumed by different persons.

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

Save as disclosed above, we have complied with the code provisions set out in the CG Code after listing. The Board will also regularly review the contribution required from a Director to perform his/her responsibilities to the Company and ensure that each Director can devote sufficient time and attention to the Company’s affairs.

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

COMPETING INTERESTS

During the Reporting Period, none of the Directors, controlling shareholders or substantial shareholders of the Company, nor any of their respective close associates have been engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or had any other conflicts of interest with the Group nor have they been aware of any other conflicts of interest which any such person has or may have with the Group.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, the Group had not entered into any connected transactions nor continuing connected transactions which are subject to disclosure requirements under Chapter 14A of the Listing Rules.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2024, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which any such Director or chief executive is taken or deemed to have under such provisions of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), are as follows:

(i) Long Positions in the Company's Shares

Name of Directors	Capacity/Nature	Number of Shares Held/ Interested	Percentage of shareholding
Mr. Jia Zhengyi	Interest of a controlled corporation	375,000,000	75% ^(Note 1)
Mr. Lin Qihao	Interest of a controlled corporation	375,000,000	75% ^(Note 2)

(ii) Long positions in the shares of associated corporations

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

Notes:

1. WellCell Group Co. Limited is the registered and beneficial owner holding 75% of the issued shares of the Company. The issued share capital of WellCell Group Co. Limited is owned as to 51.50% by Shine Dynasty Limited which is in turn wholly owned by Mr. Jia Zhengyi.
2. WellCell Group Co. Limited is the registered and beneficial owner holding 75% of the issued shares of the Company. The issued share capital of WellCell Group Co. Limited is owned as to 37.50% by Cheer Partners Limited which is in turn wholly owned by Mr. Lin Qihao.

Save as disclosed above and to the best knowledge of all the Directors, as at 30 June 2024, none of the Directors and chief executive of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above in this report, at no time during the Reporting Period and up to the date of this report was the Group or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouse or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as is known to the Directors, as at 30 June 2024, the following persons (other than the Directors or chief executive of the Company) had interests and short positions in the Shares or underlying shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

Long Positions in the Company's Shares

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

Notes:

1. "L" denotes the long position in the Shares.
2. WellCell Group Co. Limited is owned as to 51.5% by Shine Dynasty Limited, which is in turn wholly owned by Mr. Jia Zhengyi. As such, each of Shine Dynasty Limited and Mr. Jia Zhengyi is deemed to be interested in all the shares held by WellCell Group Co. Limited pursuant to Part XV of the SFO.
3. WellCell Group Co. Limited is owned as to 37.5% by Cheer Partners Limited, which is in turn wholly owned by Mr. Lin Qihao. As such, each of Cheer Partners Limited and Mr. Lin Qihao is deemed to be interested in all the shares held by WellCell Group Co. Limited pursuant to Part XV of the SFO.
4. Ms. Zheng Li is the spouse of Mr. Jia Zhengyi. Accordingly, Ms. Zheng Li is deemed to be interested in all the shares held by Mr. Jia Zhengyi under Part XV of the SFO.
5. Ms. Zhong Shumin is the spouse of Mr. Lin Qihao. Accordingly, Ms. Zhong Shumin is deemed to be interested in all the shares held by Mr. Lin Qihao under Part XV of the SFO.

OTHER INFORMATION

Saved as disclosed above, as at 30 June 2024, the Company had not been notified by any person(s) (other than the Directors and chief executive of the Company, whose interests are set out in the section “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above) in the shares or underlying shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register of the Company under Section 336 of the SFO.

DISPOSAL OF SHARES BY A CONTROLLING SHAREHOLDER

On 24 July 2024, WellCell Group Co., Limited, one of the controlling shareholders (as defined in the Listing Rules) of the Company, entered into the share purchase agreements (the “SPAs”) with different investors respectively in relation to the disposals of an aggregate of 120,000,000 Shares, representing 24% of the total issued share capital of the Company, at the consideration of HK\$2.16 per Share for the transaction contemplated under each SPA. The disposal was completed on 24 July 2024. Please refer to the announcement published by the Company on 24 July 2024 for details of the transaction.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the Reporting Period.

EVENT AFTER REPORTING PERIOD

Save as disclosed in this report, there are no significant event after the Reporting Period.

SHARE OPTION SCHEME

The Group has adopted a share option scheme on 15 December 2023, details of which have been set out in the Company’s annual report for the year ended 31 December 2023.

During the Reporting Period, no share option was granted, exercised, cancelled or lapsed. There was no outstanding share option as at 1 January 2024 and 30 June 2024.

The number of options available for grant under the Share Option Scheme was 50,000,000 as at 1 January 2024 and 30 June 2024.

Save for the share option scheme, the Company has not adopted any other share scheme.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its code of conduct regarding Directors’ securities transactions. The Company having made specific enquiries with all the Directors, the Company confirms that all of them have complied with the required standards as set out in the Model Code during the six months ended 30 June 2024.



OTHER INFORMATION

The Company has also adopted the written guidelines on no less exacting terms than the Model Code for those relevant employees (as defined in the CG Code) in respect of their dealings in the securities of the Company in compliance with the code provision C.1.3 of the CG Code and there was no incident of non-compliance during the Reporting Period up to the date of this report.

AUDIT COMMITTEE

The Group has established an audit committee of the Company (the “**Audit Committee**”) on 15 December 2023 with written terms of reference in compliance with code provisions D.3.3 and D.3.7 of Part 2 of the CG Code. Among other things, the primary duties of the Audit Committee are to make recommendations to the Board on appointment, reappointment and removal of external auditor, to review financial statements of the Company and make judgments in respect of financial reporting; and to oversee the effectiveness of the internal control procedures of the Group.

The Audit Committee consists of three independent non-executive Directors, namely Mr. Yu Chi Wing as the chairman of the Audit Committee, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules, Mr. Wu Wing Kuen, *B.B.S.* and Dr. Leung Kwong Sak. The Audit Committee together with the management of the Company have reviewed the accounting principles and practices adopted by the Group and discussed and reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2024, which was of the opinion that the preparation of interim results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

APPRECIATION

Last but not the least, I wish to take this opportunity to thank the Directors and staff for their contributions and good performance during the Reporting Period.

By Order of the Board
WellCell Holdings Co., Limited
Jia Zhengyi
Chairman and Executive Director

Hong Kong, 29 August 2024

As at the date of this report, the Board comprises three Executive Directors, namely Mr. Jia Zhengyi, Ms. Liu Ping, and Mr. Cong Bin; one Non-executive Director, namely Mr. Lin Qihao and three Independent Non-executive Directors, namely Mr. Wu Wing Kuen, Dr. Leung Kwong Sak and Mr. Yu Chi Wing.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 Unaudited RMB'000	2023 Audited RMB'000
Revenue	4	106,092	113,838
Other income	6	667	1,224
Other gains — net	7	1,435	238
Employee benefit expenses	8	(9,725)	(9,108)
Subcontracting charges		(64,983)	(63,199)
Materials, supplies and other project costs		(8,853)	(14,650)
Depreciation and amortisation	5	(1,009)	(1,219)
Net impairment losses of contract assets and trade receivables	5	(3,363)	(1,282)
Other operating expenses		(3,085)	(1,848)
Listing expenses	5	(6,257)	(5,945)
Operating profit		10,919	18,049
Finance income	9	1,679	147
Finance costs	9	(448)	(535)
Finance income/(costs), net	9	1,231	(388)
Profit before tax	5	12,150	17,661
Income tax expense	10	(1,429)	(3,003)
Profit for the period attributable to the equity holders of the Company		10,721	14,658
Other comprehensive income			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
— Exchange difference arising on translation of operations outside PRC, net of tax		(2)	—
Other comprehensive income for the period, net of tax		(2)	—
Total comprehensive income for the period attributable to the equity holders of the Company		10,719	14,658
Earnings per share attributable to equity holders of the Company			(Restated)
Basic and diluted (RMB cents per share)	11	2.18	3.91

Details of the dividends during the reporting period are disclosed in note 21 to the unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	6,143	1,492
Intangible assets		448	762
Prepayments, deposits and other receivables	13	3,423	—
Deferred tax assets		259	851
Total non-current assets		10,273	3,105
Current assets			
Contract assets		90,750	70,065
Trade receivables	14	50,151	62,700
Prepayments, deposits and other receivables	13	22,415	20,933
Due from the immediate holding company		1,205	1,181
Tax recoverable		521	1,497
Pledged bank deposits		282	301
Cash and cash equivalents		99,421	23,810
Total current assets		264,745	180,487
Total assets		275,018	183,592

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	18	4,549	—*
Reserves		186,447	85,150
Total equity		190,996	85,150
LIABILITIES			
Non-current liabilities			
Bank borrowings, unsecured	17	—	4,000
Lease liabilities		1,306	98
Total non-current liabilities		1,306	4,098
Current liabilities			
Trade and bills payables	15	5,835	6,971
Contract liabilities, other payables and accruals	16	54,944	62,511
Bank borrowings, unsecured	17	20,000	24,000
Lease liabilities		850	46
Due to shareholders		1,087	816
Total current liabilities		82,716	94,344
Total liabilities		84,022	98,442
Total equity and liabilities		275,018	183,592

* The balance was less than RMB1,000.

The unaudited interim condensed consolidated financial statements were approved by the board of directors on 29 August 2024 and were signed on its behalf.

Mr. Jia Zhengyi
Director

Mr. Cong Bin
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to equity holders of the Company							
	Share capital RMB'000	Share premium RMB'000	Combined capital RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000 (Note b)	Translation reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2023 (Audited)	—	—	22,000	(26,608)	15,710	—	69,640	80,742
Comprehensive income								
Profit for the period	—	—	—	—	—	—	14,658	14,658
Total comprehensive income	—	—	—	—	—	—	14,658	14,658
Transactions with equity holders								
Reclassification of combined capital to share capital and capital reserves upon the completion of the reorganisation (Note a)	—*	—	(22,000)	22,000	—	—	—	—*
Appropriation (Note b)	—	—	—	—	1,516	—	(1,516)	—
Dividend paid (Note 21)	—	—	—	—	—	—	(14,332)	(14,332)
Total transactions with equity holders	—*	—	(22,000)	22,000	1,516	—	(15,848)	(14,332)
Balance at 30 June 2023 (Audited)	—*	—	—	(4,608)	17,226	—	68,450	81,068

* The balances were rounded to the nearest thousand.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

Attributable to equity holders of the Company

	Share capital RMB'000	Share premium RMB'000	Combined capital RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000 (Note b)	Translation reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2024 (Audited)	—*	—	—	(4,608)	17,979	—	71,779	85,150
Comprehensive income								
Profit for the period	—	—	—	—	—	—	10,721	10,721
Exchange difference arising on translation of operations outside PRC	—	—	—	—	—	(2)	—	(2)
Total comprehensive income	—	—	—	—	—	(2)	10,721	10,719
Transactions with equity holders								
Issue of shares upon listing (Note 18(b)(v))	1,137	112,588	—	—	—	—	—	113,725
Share issue expenses and direct listing expenses (Note 18(b)(v))	—	(18,598)	—	—	—	—	—	(18,598)
Capitalisation issue (Note 18(b)(iv))	3,412	(3,412)	—	—	—	—	—	—
Total transactions with equity holders	4,549	90,578	—	—	—	—	—	95,127
Balance at 30 June 2024 (Unaudited)	4,549	90,578	—	(4,608)	17,979	(2)	82,500	190,996

* The balances were rounded to the nearest thousand.

The above unaudited interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Notes:

- The Company was incorporated on 14 September 2021. As detailed in note 1.2 to the unaudited interim condensed consolidated financial statements, the reorganisation was completed on 27 April 2023. For the purpose of the unaudited interim condensed consolidated financial statements, the combined capital as at 1 January 2023 represented the aggregate amounts of share capital of the companies then comprising the Group after elimination of the inter-company investment costs. Upon the completion of the reorganisation, the combined capital of approximately RMB22,000,000 was reclassified to share capital and capital reserve, respectively.
- The People's Republic of China (the "PRC") laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the profit after income tax (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. All statutory reserves are created for specific purposes. A PRC company is required to appropriate an amount of not less than 10% of statutory profits after income tax to statutory surplus reserves, prior to distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the company, to expand the company's operations, or to increase the capital of the company. In addition, a company may make further contribution to the discretionary surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 Unaudited RMB'000	2023 Audited RMB'000
Cash flows from operating activities			
Net cash (used in)/generated from operating activities		(20,520)	6,501
Cash flows from investing activities			
Purchase of items of property, plant and equipment	12(i)	(2,964)	(70)
Interest received	9	1,679	147
Net cash (used in)/generated from investing activities		(1,285)	77
Cash flows from financing activities			
Proceeds from issue of shares upon listing		113,725	—
Payment of listing expenses		(7,981)	(2,525)
Obtained new bank borrowings		20,000	10,000
Repayments of bank borrowings		(28,000)	(10,500)
Interest paid	9	(448)	(535)
Dividend paid	21	—	(14,332)
Decrease in pledged deposits for bills payables		18	—
Advances from shareholders		271	728
Payment of principal element of lease liabilities		(420)	(106)
Net cash generated from/(used in) financing activities		97,165	(17,270)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		23,810	42,199
Effect of foreign exchange rate changes on cash and cash equivalents		251	—
Cash and cash equivalents at end of the period		99,421	31,507

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION AND REORGANISATION

1.1 Corporate information

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

The Company is an investment holding company and its subsidiaries now comprising the Group are principally engaged in providing wireless telecommunication network enhancement services, telecommunication network infrastructure maintenance and engineering services, information and communication technology integration services and telecommunication network-related software development services. There was no significant change in the nature of the Group’s principal activities during the interim period.

The directors (the “**Directors**”) of the Company considered that (i) the immediate holding company is WellCell Group Co., Limited (“**WellCell Group**”), a company incorporate in the British Virgin Islands (the “**BVI**”); and (ii) the ultimate holding company of the Company is Shine Dynasty Limited (“**Shine Dynasty**”), a company incorporated in the BVI. The ultimate controlling shareholder is Mr. Jia Zhengyi (“**Mr. Jia**”) who is a director of the Company.

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (“**the Stock Exchange**”) since 12 January 2024. In preparation for the initial public offering and listing of the Company’s shares, the Group underwent a reorganisation as stated in Note 1.2 to the Interim Financial Statements (as defined below).

These interim condensed consolidated financial statements (the “**Interim Financial Statements**”) are presented in Renminbi thousands (“**RMB’000**”), unless otherwise stated. These Interim Financial Statements, which have not been audited, have been approved for issue by the Directors on 29 August 2024.

1.2 Reorganisation

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION AND REORGANISATION (Continued)

1.2 Reorganisation (Continued)

- (b) On 8 February 2019, WellCell Group was incorporated in the BVI and was authorised to issue a maximum of 50,000 shares of par value of US\$1 each. Upon incorporation, 103 shares, 75 shares, 10 shares, 8 shares and 4 shares were allotted and issued to Shine Dynasty wholly owned by Mr. Jia, Cheer Partners Limited (“**Cheer Partners**”) wholly held by Mr. Lin Qihao (“**Mr. Lin**”), Mr. Fung Man Hon (“**Mr. Fung**”), Dazzling Power Limited (“**Dazzling Power**”) wholly held by Mr. Cong Bin (“**Mr. Cong**”) and Diamond Skyline Limited (“**Diamond Skyline**”) wholly held by Ms. Chen Shen Mao (“**Ms. Chen**”), respectively. Subsequently on 1 September 2021, Mr. Fung transferred his entire equity interest in WellCell Group to Golden Concord Holding Limited (“**Golden Concord**”) wholly held by Mr. Fung.
- (c) On 19 February 2019, WellCell Hong Kong Limited (“**WellCell HK**”) was incorporated in Hong Kong with limited liability with 1 share of 1 Hong Kong dollar (“**HK\$**”) allotted and issued to WellCell Group.
- (d) On 1 March 2019, WellCell HK acquired 51.5%, 37.5%, 5%, 4% and 2% equity interest in Guangdong WellCell Technology Company Limited* (“**WellCell Technology**”) from Mr. Jia, Mr. Lin, Mr. Fung, Mr. Cong and Ms. Chen, respectively, at a total consideration of RMB28,600,000.
- (e) On 3 July 2019, Guangdong WellCell Intelligent Technology Company Limited (“**WellCell Intelligent**”) was incorporated in the PRC with limited liability by WellCell HK with a registered capital of RMB10,000,000. After its incorporation, WellCell Intelligent became a wholly-owned subsidiary of WellCell HK.
- (f) On 11 August 2021, WellCell International Co., Limited (“**WellCell International**”) was incorporated in the BVI and was authorised to issue a maximum of 50,000 shares of par value of US\$1 each. Upon incorporation, 1 share was allotted and issued as fully paid to WellCell Group at par.
- (g) On 27 August 2021, WellCell International acquired the entire equity interest of WellCell HK from WellCell Group. In consideration of acquisition, WellCell International issued and allotted 1 share to WellCell Group.
- (h) On 14 September 2021, the Company was incorporated in the Cayman Islands with initial authorised share capital of 38,000,000 shares of HK\$0.01 each. Upon incorporation, 1 share of the Company of HK\$0.01 was issued and allotted to the initial subscribing shareholder. On the same day, the subscriber share was transferred to WellCell Group and the Company further issued and allotted 199 shares as fully paid to WellCell Group.
- (i) On 27 April 2023, the Company acquired 100% equity interest in WellCell International at a consideration of the issue and allotment of 200 shares to WellCell Group.

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

* The English translation is for identification purpose only. This company does not have official English name.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

2.1 Basis of preparation

The Interim Financial Statements have been prepared in accordance with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and the Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The Interim Financial Statements contain interim condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the consolidated financial statements for the year ended 31 December 2023 (the “**2023 Annual Financial Statements**”). The Interim Financial Statements and notes thereon do not include all the information and disclosures required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), and should be read in conjunction with the 2023 Annual Financial Statements.

These Interim Financial Statements have been prepared on the historical cost basis.

The Interim Financial Statements have been prepared in accordance with the same accounting policies adopted in the 2023 Annual Financial Statements, except for the revised HKFRSs that are required to be adopted in the consolidated financial statements for the year ending 31 December 2024. Details of these revised HKFRSs are set out below.

New and amended standards adopted by the Group

The Group has adopted the following revised HKFRSs for the first time for the Interim Financial Statements.

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current*
Amendments to HKAS 1	Non-current Liabilities with Covenants*
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

* As a consequence of the amendments to HKAS 1 issued in August 2020 and December 2022, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

The application of the amendments in the current period had no significant impact on the Interim Financial Statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

New standards and amendments to standards issued but not yet effective for the accounting period beginning on 1 January 2024 and not early adopted by the Group

		Effective for accounting periods beginning on or after
HKFRS 18	Presentation and disclosure in financial statements [#]	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instrument	1 January 2026
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

[#] As a consequence of new HKFRS 18 issued in July 2024, Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to reflect the requirements in HKFRS 18.

The Group is in the process of making an assessment on the impact of these new standards and amendments to standards and preliminary results showed that their applications are not expected to have a material impact on the financial performance and the financial position of the Group.

3 ESTIMATES

The preparation of the Interim Financial Statements require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets and liabilities. Actual results may differ from these estimates.

In preparing the Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2023 Annual Financial Statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4 REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Directors. The Directors review the Group's internal reporting in order to assess performance and allocate resources. The Directors have determined the operating segment based on these reports.

The Directors consider the Group's operation from a business perspective and determine that the Group has one reportable operating segment being provision of services and products for telecommunication network and infrastructure. Therefore, no segment result, segment assets and segment liabilities were further presented.

	Six months ended 30 June	
	2024 Unaudited RMB'000	2023 Audited RMB'000
Timing of revenue recognition		
Over time		
— Wireless telecommunication network enhancement services	41,136	42,404
— Telecommunication network infrastructure maintenance and engineering services	16,842	18,709
— Information and communication technology integration services	32,240	35,550
— Software development and related service	11,515	12,667
	101,733	109,330
At a point in time		
— Sales of software	4,359	4,508
	106,092	113,838

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 PROFIT BEFORE TAX

Profit before tax is stated after charging the following:

	Six months ended 30 June	
	2024	2023
	Unaudited RMB'000	Audited RMB'000
Auditors' remuneration		
– Audit services (excluding listing expenses)	–	42
– Non-audit services	–	5
Depreciation and amortisation	1,009	1,219
Expenses of short-term lease in respect of offices and staff quarters	27	2
Net impairment losses of contract assets and trade receivables	3,363	1,282
Listing expenses*	6,257	5,945

* Listing expenses represents other listing expenses not directly related to the issuing of new shares upon listing on 12 January 2024.

6 OTHER INCOME

	Six months ended 30 June	
	2024	2023
	Unaudited RMB'000	Audited RMB'000
Government subsidies (Note (i))	259	243
VAT refund	379	846
Equipment rental income (Note (ii))	–	89
Sundry income	29	46
	667	1,224

Notes:

- (i) During the six months ended 30 June 2023 and 2024, there were no unfulfilled conditions or other contingencies attaching to these grants.
- (ii) Equipment was leased to customers under operating leases with fixed lease payments.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7 OTHER GAINS – NET

	Six months ended 30 June	
	2024 Unaudited RMB'000	2023 Audited RMB'000
Exchange gains	1,386	238
Others	49	—
	1,435	238

8 EMPLOYEE BENEFIT EXPENSES

	Six months ended 30 June	
	2024 Unaudited RMB'000	2023 Audited RMB'000
Wages and salaries	7,282	7,164
Pension cost — defined contribution plans	1,211	1,603
Other staff welfares	1,232	341
Total employee benefit expenses (including directors' remunerations)	9,725	9,108

9 FINANCE INCOME/(COSTS), NET

	Six months ended 30 June	
	2024 Unaudited RMB'000	2023 Audited RMB'000
Finance income		
Interest income on cash at banks	1,679	147
Finance costs		
Interest expenses on		
— bank borrowings, unsecured	(430)	(530)
— leases liabilities	(18)	(5)
	(448)	(535)
Finance income/(costs), net	1,231	(388)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10 INCOME TAX EXPENSE

Hong Kong profits tax rate is 16.5%. No provision for Hong Kong profits tax was provided as the Group did not have assessable profit in Hong Kong for the six months ended 30 June 2023 and 2024.

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

The general corporate income tax (“CIT”) rate in the PRC is 25%. During the six months ended 30 June 2023 and 2024, WellCell Technology, the Group’s major operating subsidiary in the PRC, has been qualified for high and new technology enterprises status and is therefore subject to a preferential income tax rate of 15%.

During the six months ended 30 June 2023, a 10% withholding tax was levied on dividend declared by a company in the PRC to its foreign shareholder.

	Six months ended 30 June	
	2024 Unaudited RMB'000	2023 Audited RMB'000
Current tax		
– PRC CIT	837	1,495
– PRC dividend withholding tax	–	1,700
Deferred tax	592	(192)
Income tax expense	1,429	3,003

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11 EARNINGS PER SHARE

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

The weighted average number of ordinary shares in issue for the respective periods has been retrospectively adjusted for the following events, which were deemed to have been issued and allotted by the Company on 1 January 2023:

- (i) 200 ordinary shares of the Company, which were issued by the Company on 27 April 2023 for the Reorganisation as stated in Note 1.2(i) to the Interim Financial Statements, when computing the basic and diluted earnings per share for the six months ended 30 June 2023; and
- (ii) 374,999,600 ordinary shares of the Company, which were issued by the Company on 12 January 2024 as a result of the capitalisation issue pursuant to the resolutions of the shareholders passed on 15 December 2023 when computing the basic and diluted earnings per share for the six months ended 30 June 2023 and 2024.

	Six months ended 30 June	
	2024 Unaudited	2023 Audited (Restated)
Profit for the period attributable to the equity holders of the Company (RMB'000)	10,721	14,658
Weighted average number of ordinary shares in issue (in thousands)	492,445	375,000
Basic earnings per share (RMB cents per share)	2.18	3.91

There were no differences between the basic and the diluted earnings per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2023 and 2024.

12 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the movements in the Group's property, plant and equipment are mainly as follows:

- (i) Additions to property, plant and equipment amounted to approximately RMB2,964,000 during the six months ended 30 June 2024 (six months ended 30 June 2023: approximately RMB70,000).
- (ii) The Group entered into a tenancy agreement with a related company, Guangdong Huajun Sports Culture Communication Co., Limited* (廣東華俊體育文化傳播有限公司) ("Huajun") for its office for a term of 3 years during the six months ended 30 June 2024. The present value of the right-of-use assets and lease liabilities amounting to approximately RMB2,382,000 were initially recognised during the six months ended 30 June 2024 (six months ended 30 June 2023: The Group entered into a tenancy agreement with an independent third party for its office for a term of 4 years. The present value of the right-of-use assets and lease liabilities amounting to approximately RMB189,000 were initially recognised during the six months ended 30 June 2023).

* The English translation is for identification purpose only. This company does not have official English name.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
Prepayments for project material costs	4,750	4,899
Other prepayments	1,868	725
Rental and other deposits	1,288	106
Deposits for tendering	2,770	4,030
Other receivables	8,710	556
Deferred listing expenses (Note (i))	—	10,617
Deposits for acquisition of property, plant and equipment (Note (ii))	3,423	—
VAT and other tax recoverable	3,029	—
	25,838	20,933
Less: Deposits for acquisition of property, plant and equipment classified as non-current assets	(3,423)	—
Prepayments, deposits and other receivables classified as current assets	22,415	20,933

Notes:

- (i) The deferred listing expenses were incurred in connection with the listing of the Company and was deducted from equity upon listing on 12 January 2024.
- (ii) The deposits represent full payments for the acquisition of motor vehicles and there is no capital commitment as at 30 June 2024.

14 TRADE RECEIVABLES

	As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
Trade receivables	54,799	66,093
Less: provision for impairment of trade receivables	(4,648)	(3,393)
	50,151	62,700

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14 TRADE RECEIVABLES (Continued)

As at 30 June 2024 and 31 December 2023, the aging analysis of trade receivables, based on invoice date, was as follows:

	As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
Within 180 days	25,058	47,079
Between 181 days and 365 days	18,386	13,414
Between 1 year and 2 years	10,128	4,158
Over 2 years	1,227	1,442
	54,799	66,093

The movements in the loss allowance for impairment of trade receivables are as follows:

	30 June 2024 Unaudited RMB'000	31 December 2023 Audited RMB'000
At beginning of period/year	3,393	2,790
Impairment provided during the period/year	1,255	603
At end of period/year	4,648	3,393

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15 TRADE AND BILLS PAYABLES

	As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
Trade payables	5,835	6,130
Bills payables	—	841
	5,835	6,971

As at 30 June 2024 and 31 December 2023, the aging analysis of trade payables, based on invoice date, was as follows:

	As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
Within 180 days	2,235	4,230
Between 181 days and 365 days	2,026	646
Over 1 year	1,574	1,254
	5,835	6,130

16 CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
Accrued subcontracting charges, materials costs and other direct project costs	52,018	47,219
Accrued listing expenses	120	8,286
Other payables and accruals	826	2,389
Accrued employee benefits expenses	1,106	1,618
Contract liabilities	874	1,423
VAT and other tax payables	—	1,576
	54,944	62,511

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17 BANK BORROWINGS, UNSECURED

	As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
Bank borrowings – unsecured		
Non-current portion	—	4,000
Current portion	20,000	24,000
	20,000	28,000

As at 30 June 2024 and 31 December 2023, bank borrowings, unsecured were repayable as follows:

	As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
Within 1 year	20,000	24,000
Between 1 and 2 years	—	4,000
Between 2 and 5 years	—	—
	20,000	28,000

As at 30 June 2024, the Group's bank borrowings, unsecured were carried at floating rates ranged from 2.95% to 2.98% per annum (31 December 2023: 3.7% to 4.1%).

As at 30 June 2024 and 31 December 2023, the bank borrowings were unsecured.

Certain of the Group's bank borrowings as at 30 June 2024 and 31 December 2023 are subject to the fulfillment of certain covenants which primarily relate to, among others, the maintenance of debt-to-assets ratio below certain levels. The Group regularly monitors its compliance with these covenants and none of these covenants had been breached as at 30 June 2024 and 31 December 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18 SHARE CAPITAL

	As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
Share capital of the Company		
Authorised:		
1,000,000,000 (31 December 2023: 38,000,000) ordinary shares of HK\$0.01 each	9,252	344
Issued and fully paid:		
500,000,000 (31 December 2023: 400) ordinary shares of HK\$0.01 each	4,549	—*

* The balance was less than RMB1,000.

(a) A summary of movements in the Company's authorised share capital is as follows:

	30 June 2024 Unaudited		31 December 2023 Audited	
	Number of shares	Nominal value HK\$	Number of shares	Nominal value HK\$
Authorised:				
At beginning of period/year, ordinary shares of HK\$0.01 each	38,000,000	380,000	38,000,000	380,000
Increase in authorised share capital (Note (i))	962,000,000	9,620,000	—	—
At end of period/year, ordinary shares of HK\$0.01 each	1,000,000,000	10,000,000	38,000,000	380,000
		RMB'000		RMB'000
Equivalent to:		9,252		344

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18 SHARE CAPITAL (Continued)

(b) A summary of movements in the Company's issued and fully paid share capital is as follows:

	Number of shares	Nominal value HK\$
Issued and fully paid:		
Issue of ordinary shares on 14 September 2021 (date of incorporation) (Note (ii))	200	2
Issue of ordinary shares on 27 April 2023 (Note (iii))	200	2
As at 30 June 2023 and 31 December 2023	400	4
Capitalisation issue (Note (iv))	374,999,600	3,749,996
Issue of shares upon listing (Note (v))	125,000,000	1,250,000
	500,000,000	5,000,000

RMB'000

Equivalent to: 4,549

Notes:

- (i) On 15 December 2023, the authorised share capital of the Company has been increased from 38,000,000 to 1,000,000,000 shares of HK\$0.01 each pursuant to the resolutions passed by the shareholders' meeting on 15 December 2023.
- (ii) On 14 September 2021, 200 ordinary shares were issued for approximately HK\$2 pursuant to the Group's reorganisation as detailed in Note 1.2(h) to the Interim Financial Statements. As at 1 January 2023, the total number and nominal value of issued ordinary shares of the Company amounted to 200 shares and HK\$2, respectively.
- (iii) On 27 April 2023, the Company acquired 100% equity interest in WellCell International by the issue and allotment of 200 shares to WellCell Group pursuant to the Group's reorganisation.
- (iv) On 12 January 2024, 374,999,600 ordinary shares of the Company were allotted to the shareholders (the "Capitalisation Issue") to capitalise an amount of HK\$3,749,996 (equivalent to approximately RMB3,412,000) standing to the credit of the share premium account of the Company, pursuant to the resolutions passed by the shareholders' meeting on 15 December 2023.
- (v) On 12 January 2024, the Company issued 125,000,000 ordinary shares at a price of HK\$1.00 per share as a result of completion of the share offer (the "Share Offer") and the Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Share Offer was completed on 12 January 2024, with the net proceeds of approximately HK\$104,498,000 (equivalent to approximately RMB95,127,000), net of (i) the share issue expenses and (ii) direct expenses attributable to the listing with an aggregate amount of approximately HK\$20,502,000 (equivalent to approximately RMB18,598,000). Apart from the above, the total net proceeds from the Share Offer was approximately HK\$60,600,000 (equivalent to approximately RMB56,000,000) after further deducting the other expenses, which was not directly related to the issuing of new shares upon listing.

19 CAPITAL COMMITMENTS

As at 30 June 2024, the Group did not have any material capital commitments (31 December 2023: Nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20 RELATED PARTY TRANSACTIONS

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

The ultimate holding company and controlling shareholder are disclosed in Note 1.1 to the Interim Financial Statements.

Major related parties that had transactions with the Group during the six months ended 30 June 2023 and 2024 were as follows:

Related parties	Relationship with the Company
Mr. Lin	Director and Shareholder
Mr. Jia	Director and the controlling shareholder
Ms. Chen	Shareholder
Mr. Cong	Director and Shareholder
Mr. Fung	Shareholder
Cheer Partners	Shareholder and controlled by Mr. Lin
Shine Dynasty	Ultimate holding company and controlled by Mr. Jia
Dazzling Power	Shareholder and controlled by Mr. Cong
Diamond Skyline	Shareholder and controlled by Ms. Chen
Golden Concord	Shareholder and controlled by Mr. Fung
WellCell Group	The immediate holding company
Huajun	Controlled by Mr. Jia

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20 RELATED PARTY TRANSACTIONS (Continued)

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

(a) Balances with related parties

	As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
Non-trade nature		
Due from the immediate holding company:		
Wellcell Group	1,205	1,181
Due to shareholders:		
Mr. Lin	784	784
Mr. Jia	303	32
	1,087	816

Note: The balances with related parties were unsecured, interest free and repayable on demand.

- (b) As detailed in note 12 to the Interim Financial Statements, the Group entered into the tenancy agreement with Huajun, pursuant to which, the Group paid rental payments with an aggregate amount of approximately RMB413,000 (six months ended 30 June 2023: Nil) during the six months ended 30 June 2024. The aforesaid related party transaction constitutes a connected transaction as defined under Chapter 14A of the Listing Rules, while is fully exempted from shareholders approval, annual review and all disclosure requirements in Chapter 14A of the Listing Rules.

(c) Key management compensation

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

	Six months ended 30 June 2024 Unaudited RMB'000	2023 Audited RMB'000
Salaries and other short — term employee benefits	730	416
Pension costs — defined contribution plans	95	143
	825	559

* The English translation is for identification purpose only. This company does not have official English name.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21 DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: the Group declared and paid dividends to its shareholders totalling RMB14,332,000).

22 PLEDGED ASSETS

As at 30 June 2024, the Group has pledged deposits amounting to approximately RMB282,000 (as at 31 December 2023: approximately RMB301,000) as securities for certain customer projects as securities for wages and bills payables issued by the banks.

23 CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any material contingent liabilities (31 December 2023: Nil).

24 COMPARATIVE FIGURES

As detailed in note 11 to the Interim Financial Statements, the comparative amount of the earnings per share has been retrospectively adjusted. Certain comparative amounts have been reclassified to conform with the current period's presentation.