Vixtel Technologies Holdings Limited

飛思達科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1782)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

During the year ended 31 December 2022, the operations and business of the Group have recorded the following changes when compared with those for the year ended 31 December 2021.

- Revenue for the year ended 31 December 2022 amounted to approximately RMB103,767,000, representing an increase of approximately 4.7% from approximately RMB99,120,000 for the year ended 31 December 2021.

- Loss attributable to owners of the Company for the year ended 31 December 2022 amounted to approximately RMB11,929,000, as compared to the profit attributable to owners of the Company for the year ended 31 December 2021 of approximately RMB3,643,000.

- Basic loss per share for the year ended 31 December 2022 was approximately RMB1.85 cents (for the year ended 31 December 2021: basic earnings per share was approximately RMB0.73 cents).

- The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (final dividend for the year ended 31 December 2021: nil).

The board (the "**Board**") of directors (the "**Directors**") of Vixtel Technologies Holdings Limited (the "**Company**") announced the consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**" or "**We**") for the year ended 31 December 2022 together with the audited comparative figures for the year ended 31 December 2021 as follow:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2022

	Notes	**2022** *RMB'000*	2021 *RMB'000*
REVENUE	*4*	**103,767**	99,120
Cost of sales		**(55,715)**	(44,309)
Gross profit		**48,052**	54,811
Other income and gains	*4*	**12,677**	5,368
Selling and distribution expenses		**(14,224)**	(15,069)
Research and development costs	*5*	**(36,592)**	(23,974)
Administrative expenses		**(24,310)**	(16,822)
Impairment losses on financial and contract assets, net	*5*	**(243)**	(657)
Other expenses		**(16)**	(199)
Finance costs	*6*	**(357)**	(474)
(LOSS)/PROFIT BEFORE TAX	*5*	**(15,013)**	2,984
Income tax credit	*8*	**888**	497
(LOSS)/PROFIT FOR THE YEAR		**(14,125)**	3,481
OTHER COMPREHENSIVE (LOSS)/INCOME		**–**	–
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(14,125)**	3,481
Attributable to:			
Owners of the parent		**(11,929)**	3,643
Non-controlling interest		**(2,196)**	(162)
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic			
– For (loss)/profit for the year (in RMB cents)		**(1.85)**	0.73
Diluted			
– For (loss)/profit for the year (in RMB cents)		**(1.85)**	0.73

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	**2022** *RMB'000*	2021 *RMB'000*
NON-CURRENT ASSETS			
Property and equipment		**789**	552
Right-of-use assets		**2,919**	1,864
Other intangible assets		**10,169**	14,626
Contract assets	*12*	**1,998**	3,036
Long term deposit		**45**	276
Restricted cash		**129**	–
Total non-current assets		**16,049**	20,354
CURRENT ASSETS			
Inventories		**4,531**	3,384
Trade and bills receivables	*11*	**25,862**	25,593
Contract assets	*12*	**99,342**	92,374
Prepayments, other receivables and other assets		**7,889**	8,436
Pledged time deposits		**4,200**	6,100
Restricted cash		**133**	–
Cash and cash equivalents		**171,366**	64,061
Total current assets		**313,323**	199,948
CURRENT LIABILITIES			
Trade and bills payables	*13*	**2,687**	2,111
Other payables and accruals		**23,933**	20,173
Interest-bearing bank borrowings		**10,000**	10,000
Lease liabilities		**1,499**	1,718
Tax payable		**–**	396
Total current liabilities		**38,119**	34,398
NET CURRENT ASSETS		**275,204**	165,550
TOTAL ASSETS LESS CURRENT LIABILITIES		**291,253**	185,904

	Notes	**2022**	2021
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**689**	2,058
Other payables and accruals		**30**	119
Lease liabilities		**1,159**	72
Total non-current liabilities		**1,878**	2,249
Net assets		**289,375**	183,655
EQUITY			
Share capital		**6,686**	4,514
Treasury shares		**–**	(2,509)
Reserves		**283,088**	179,853
		289,774	181,858
Non-controlling interests		**(399)**	1,797
Total equity		**289,375**	183,655

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 10 November 2015 as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. The address of the registered office of the Company is Windward 3, Regatta Office Park PO Box 1350, Grand Cayman KY1-1108 Cayman Islands. The shares of the Company were listed on GEM of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 December 2016.

The Company has successfully transferred listing from GEM to the Main Board of the Stock Exchange on 29 November 2018 (the "Listing Date").

The Company is an investment holding company. The Group are principally engaged in providing application performance management ("APM") solution in the People's Republic of China (the "PRC" or "China"). There has been no significant change in the Group's principal activity during the year.

2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41*

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 are intended to replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting (the "**Conceptual Framework**") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of APM solutions in Mainland China.

Under HKFRS 8 *Operating Segments*, it is required that operating segments be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

(a) Revenue from external customers

	2022	2021
	RMB'000	*RMB'000*
Mainland China	**102,483**	96,884
Taiwan	**481**	1,291
Hong Kong	**803**	945
	103,767	99,120

The revenue information above is based on the locations of the customers.

(b) Non-current assets

During the year, all non-current assets/capital expenditure of the Group were located/incurred in the PRC.

Information about major customers

Revenue of approximately RMB71,691,000 (2021: RMB75,836,000) was derived from sales to a single state-owned telecommunication operator group, including sales to a group of entities which are known to be under common control with that group.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Integrated APM system solutions	**44,627**	47,275
Software development services	**27,714**	28,084
Technical services	**14,051**	16,271
Sales of embedded hardware and standard APM software	**17,375**	7,490
	103,767	99,120

Revenue from contracts with customers

(a) Disaggregated revenue information

	2022	2021
	RMB'000	*RMB'000*
Types of customers		
State-owned telecommunication operator groups	**92,899**	85,631
Other customers	**10,868**	13,489
Total revenue from contracts with customers	**103,767**	99,120

	2022	2021
	RMB'000	*RMB'000*
Timing of revenue recognition		
Goods transferred at a point in time	**17,375**	7,490
Services transferred over time	**86,392**	91,630
Total revenue from contracts with customers	**103,767**	99,120

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2022	2021
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Technical services	**702**	452

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Integrated APM system solutions and software development services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days to 60 days upon issuance of invoice and receipt of certain forms of acceptance. A certain percentage of payment is retained by customers until the end of the retention period.

Technical services

The performance obligation is satisfied over time as services are rendered and the credit period granted to the customers is normally due upon completion of the service. Technical service contracts are for periods of one year or less, or are billed based on the time incurred, except for one contract where payment in advance was received.

Sales of embedded hardware and standard APM software

The performance obligation is satisfied upon acceptance of the hardware and software and payment is generally due within 30 to 60 days from acceptance by customers, except for new customers where payment in advance is normally required.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2022	2021
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue：		
Within one year	**27,060**	22,852
After one year	**587**	1,526
	27,647	24,378

The amount of transaction prices allocated to remaining performance obligations which are expected to be recognised as revenue after one year relate to integrated APM system solutions, software development services and technical services, of which the performance obligations are to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

	2022	2021
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	**821**	209
Interest income arising from revenue contracts	**62**	56
Investment income from financial assets at fair value through profit or loss	**580**	969
Government grants – related to income*	**4,146**	4,134
Exchange gains	**7,068**	–
	12,677	5,368

* Government grants received from the government of the PRC mainly represent the refund of the value added tax previously paid. There are no unfulfilled conditions or contingencies relating to the grants.

5. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	2022	2021
	RMB'000	*RMB'000*
Cost of inventories sold	**10,238**	3,603
Cost of services rendered	**45,477**	40,706
Depreciation of property and equipment	**429**	327
Depreciation of right-of-use assets	**1,650**	1,819
Amortisation of other intangible assets	**4,457**	3,524
Research and development costs:		
Deferred expenditure amortised*	**4,457**	3,524
Current year expenditure	**36,592**	23,974
	41,049	27,498
Lease payments not included in the measurement of lease liabilities	**987**	1,697
Auditor's remuneration	**1,200**	1,060
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**62,171**	52,431
Pension scheme contributions (defined contribution scheme)**	**2,948**	1,102
Equity-settled share award expense	**1,843**	3,517
	66,962	57,050
Foreign exchange differences, net	**(7,068)**	154
Impairment of financial and contract assets, net:		
Impairment of trade and bills receivables, net	**28**	54
Impairment of contract assets, net	**215**	603
	243	657
Investment income from financial assets at fair value through profit or loss	**(580)**	(969)
Bank interest income	**(821)**	(209)

* The amortisation of patents and licences and the amortisation of deferred development costs for the year are included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

** There are no forfeited contributions that may be used by the employer to reduce the existing level of contributions.

6. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2022	2021
	RMB'000	*RMB'000*
Interest on bank loans	**305**	363
Interest on lease liabilities	**52**	111
	357	474

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Fees	**2,145**	485
Other emoluments:		
Salaries, allowances and benefits in kind	**1,731**	3,362
Pension scheme contributions	**81**	176
	1,812	3,538
	3,957	4,023

8. INCOME TAX

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of the Cayman Islands and is not subject to income tax.

No Hong Kong profits tax has been provided since no assessable profit arose in Hong Kong during the year.

Pursuant to the PRC Corporate Income Tax Law and the respective regulations, Vixtel Technologies Limited, Vixtel Software Limited, Depuda (Wuxi) Technologies Limited and Vixtel Yunwang Technologies Limited are subject to corporate income tax at a rate of 25% on the taxable profit. A preferential tax treatment is available to Vixtel Technologies Limited, which was recognised as a High and New Technology Enterprise in 2010 in Mainland China, and a lower corporate income tax of 15% has been applied since then. The certificate of High and New Technology Enterprise must be renewed every three years and Vixtel Technologies Limited must re-apply for it every six years. Vixtel Technologies Limited has re-applied for and obtained the certificate of High and New Technology Enterprise on 30 December 2022. A preferential tax treatment is available to Vixtel Yunwang Technologies Limited, which was recognised as a software enterprise in 2021 in Mainland China, that it can be exempted from the income taxation in the first year and the second year; it should only pay half of the income taxation from the third year to the fifth year.

	2022	2021
	RMB'000	*RMB'000*
Current – Mainland China	**(19)**	(341)
Deferred	**(869)**	(156)
Total tax credit for the year	**(888)**	(497)

9. DIVIDENDS

No dividends had been paid or declared by the Group during the year (2021: nil).

10. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount for the year is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue (excluding shares reserved for the share award scheme) during the year.

The Group had no potentially diluted ordinary shares in issue in 2022. Besides, the calculation of the diluted (loss)/earnings per share amounts is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic (loss)/earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of basic (loss)/earnings per share is based on:

	2022	2021
	RMB'000	*RMB'000*
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**(11,929)**	3,643

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue less shares held for the share award scheme during the year used in the basic earnings per share calculation	**643,467,123**	500,986,000
Effect of dilution – weighted average number of shares held for the share award scheme	**–**	231,154
	643,467,123	501,217,154

11. TRADE AND BILLS RECEIVABLES

	2022 *RMB'000*	2021 *RMB'000*
Trade receivables	**26,292**	25,300
Bills receivable	**94**	789
	26,386	26,089
Impairment	**(524)**	(496)
Trade and bills receivables	**25,862**	25,593

Trade receivables represented the outstanding contracted values for integrated APM system solutions, software development services, technical services and sales of embedded hardware and standard APM software receivable from the customers.

The Group's trading terms with its customers are mainly on credit. For integrated APM system solutions and software development services, the credit period granted to the customers is normally 30 to 60 days upon issuance of invoice and receipt of certain forms of acceptance from its customers during the course of contracts. The forms of acceptance evidence the satisfaction from the customers of the progress of completion. For sales of embedded hardware and standard APM software, the credit period granted to the customers is normally 30 to 60 days when the goods were accepted by the customers, except for new customers, where payment in advance is normally required. For technical services, the credit period granted to the customers is normally due upon completion of the service, except for one contract where payment in advance is received.

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a number of the largest state-owned telecommunication operators in the PRC and a large number of their independently-operated provincial subsidiaries, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the billing date and net of loss allowance, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 90 days	**15,105**	14,334
91 to 180 days	**3,020**	2,978
181 days to 1 year	**5,173**	5,440
Over 1 year	**2,564**	2,841
	25,862	25,593

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

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**496**	442
Impairment losses, net	**28**	54
At the end of year	**524**	496

An impairment analysis is performed at each reporting date using a loss rate approach to measure expected credit losses. The loss rates are based on groupings of various customer segments with similar loss patterns (i.e., customer type and rating). The Group develops loss-rate statistics on the basis of the amount expected to be written off over the life of the financial assets by reference to the credit rating of the customers, and also adjusted these loss trends for current conditions and expectations about the future. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of future recovery.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a loss rate approach:

As at 31 December 2022	**Trade receivables arising from state-owned telecommunications operator groups**	**Trade receivables arising from other customers**	**Default receivables**	**Total**
Expected credit loss rate	**0.10%**	**2.79%**	**100.00%**	
Gross carrying amount *(RMB'000)*	**22,738**	**3,237**	**411**	**26,386**
Expected credit losses *(RMB'000)*	**23**	**90**	**411**	**524**

As at 31 December 2021	Trade receivables arising from state-owned telecommunications operator groups	Trade receivables arising from other customers	Default receivables	Total
Expected credit loss rate	0.10%	0.99%	100.00%	
Gross carrying amount *(RMB'000)*	19,097	6,581	411	26,089
Expected credit losses *(RMB'000)*	19	66	411	496

12. CONTRACT ASSETS

	31 December 2022 ***RMB'000***	31 December 2021 *RMB'000*	1 January 2021 *RMB'000*
Contract assets arising from:			
Integrated APM system solutions	**61,274**	64,144	64,054
Software development services	**41,210**	32,416	22,521
Sales of embedded hardware and standard APM software	**743**	522	4,848
Technical services	**–**	–	1,415
Total contract assets	**103,227**	97,082	92,838
Impairment	**(1,887)**	(1,672)	(1,069)
	101,340	95,410	91,769
Analysed into:			
Current portion	**99,342**	92,374	89,661
Non-current portion	**1,998**	3,036	2,108

Contract assets are initially recognised for revenue earned from integrated APM system solutions and software development services as the receipt of consideration is conditional on the successful acceptance by the customers. Upon completion of the contracts and acceptance by the customers, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2022 was the result of the increase in integrated APM system solutions and software development services at the end of the year. During the year ended 31 December 2022, RMB215,000 was recognised as an allowance for expected credit losses on contract assets, RMB603,000 was recognised at the year ended 31 December 2021. The Group's trading terms and credit policy with customers are disclosed in note 11 to this financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within one year	**99,342**	92,374
After one year	**1,998**	3,036
Total contract assets	**101,340**	95,410

The movements in the loss allowance for impairment of contract assets are as follows:

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**1,672**	1,069
Impairment losses, net	**215**	603
At the end of year	**1,882**	1,672

An impairment analysis is performed at each reporting date using a loss rate approach to measure expected credit losses. The loss rates for the measurement of the expected credit losses for the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases, and groupings of various customer segments with similar loss patterns (i.e., customer type and rating). These loss trends determined by referencing to credit rating data are then adjusted for current conditions and expectations about the future. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets using a loss rate approach:

	2022			
	Contract assets arising from state-owned telecommunications operator groups	**Contract assets arising from other customers**	**Default receivable**	**Total**
Expected credit loss rate	**1.00%**	**3.66%**	**100.00%**	
Gross carrying amount *(RMB'000)*	**92,570**	**10,064**	**593**	**103,227**
Expected credit losses *(RMB'000)*	**926**	**368**	**593**	**1,887**

	2021			
	Contract assets arising from state-owned telecommunications operator groups	Contract assets arising from other customers	Default receivable	Total
Expected credit loss rate	1.00%	1.92%	100.00%	
Gross carrying amount *(RMB'000)*	84,112	12,377	593	97,082
Expected credit losses *(RMB'000)*	841	238	593	1,672

13. TRADE AND BILLS PAYABLES

		2022	2021
		RMB'000	*RMB'000*
Trade payables		**2,687**	1,511
Bills payable	*(a)*	**–**	600
		2,687	2,111

(a) The balance of the Group's bills payable which was secured by the pledge of certain of the Group's time deposit as of December 31, 2022 was nil (2021: RMB600,000).

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 90 days	**1,057**	1,128
91 to 180 days	**857**	497
181 days to 1 year	**405**	177
Over 1 year	**368**	309
	2,687	2,111

The trade and bills payables are non-interest-bearing and are normally settled on 180-day terms.

BUSINESS REVIEW

The Group is a market leader in China's APM industry and primarily provides APM products and service solutions for telecommunication operators and large enterprises. The Group is principally engaged in the following businesses: (1) integrated APM system solutions; (2) software development services; (3) technical services; and (4) sales of embedded hardware and standard APM software.

During the year ended 31 December 2022, the Group's revenue increased by approximately 4.7% as compared with the year ended 31 December 2021, but it recorded a loss attributable to the owners of the Company of approximately RMB11.9 million.

During the Year, the local outbreak of COVID-19 in various areas of China impacted the operations of the Group's offices and research and development ("**R&D**") centers in Beijing, Shanghai, Chongqing and others. To alleviate the adverse effects of reduced face-to-face communication with customers and difficulties in internal coordination, the Group implemented a series of measures including work-from-home arrangements, shift management, and on-site service staff assignments. Although these efforts could effectively keep the Group's operations smooth, its revenue was affected, and its operating costs increased in comparison to previous years.

Despite these challenges, the Group remains optimistic about medium and long-term revenue growth and continues to invest in expanding its R&D and product teams. This has led to an increase in the number of professional R&D personnel and the establishment of a dedicated artificial intelligence ("**AI**") team. AI technologies enhance the delivery of products in complex and dynamic market demands. With a configurable, programmable, automatic, and intelligent technical system, the Group is poised to take advantage of the opportunities presented by the planning and construction of new intelligent networks. The Group's profitability was temporarily suppressed, but its competitive product advantage and market development capabilities are further strengthened, leading to a significant improvement in the near future.

In the post-pandemic age, the economy is expected to recover rapidly, and the Chinese government will increase investments in digital information infrastructure, making the investments by telecom operators more focused and steadfast. As a key element of new infrastructure, 5G has gradually highlighted its enabling role and become an important force to promote the digital transformation of enterprises. 5G is widely applied in a variety of situations, including manufacturing, smart logistics, smart estate, intelligent R&D, intelligent marketing and service, to name a few, all permeating every aspect of enterprise operations and raising the overall level of intelligence by using data-driven intelligent applications.

The Group's customers are largely state-owned telecom operators and sizable enterprises, located at both upstream and downstream along the same vertical chain of the 5G industry. Private network performance solutions are widely used in 5G networks from which the Group anticipates to maintain a steady growth in its business performance and generate long-term returns for the Group and its shareholders.

Recently, the escalating changes of communication networks to become automatic and intelligent have become a new driving force for a new round of technological innovation and industrial transformation. The Group actively deploys in related disciplines, and its R&D team develops AI capabilities to apply in various commercial situations. The establishment of such cutting-edge capabilities as the automatic calculation of dynamic thresholds, automatic prediction of performance trends, and automatic detection of concealed threats, all enhanced the importance of APM product systems in the age of self-intelligent network. Delivery of such featured products will further expand our market share, creating a positive impact on revenue and profits.

In order to better prepare for the future business development, the Group took a strategy move to further solidify its capital structure during the year ended 31 December 2022.

The Company completed a rights issue (the "**Rights Issue**") on the basis of one new share ("**Rights Share**") for every two existing ordinary shares of the Company (the "**Shares**") at a subscription price of HK$0.55 per Rights Share on 20 June 2022. The gross proceeds from the Rights Issue are approximately HK$139.7 million (equivalent to approximately RMB119.5 million) and the net proceeds from the Rights Issue, after deducting professional fees and all other relevant expenses, amounted to approximately HK$138.0 million (equivalent to approximately RMB118.0 million).

The purposes of the Rights Issue were to raise funds for (i) the investment in and upgrade of big data and AI analysis technologies to expand its existing APM business through enhancement of product functionality to serve the market demands from various industries; and (ii) general corporate and working capital purposes.

As at 31 December 2022, the net proceeds from the Rights Issue have not been utilized but deposited into licenced banks in Hong Kong and Mainland China. The Company aims to commence the use of the net proceeds of the Rights Issue in 2023, and the management team is actively seeking suitable opportunities to execute the investment plan in accordance with the use of proceeds as disclosed in the prospectus of the Company containing details of the Rights Issue dated 26 May 2022 (the "**Rights Issue Prospectus**").

FUTURE PROSPECTS/OUTLOOK

The Group remains optimistic about its business growth in 2023 and expects to see improvements in its revenue and profit metrics.

On business front, riding on the ongoing technical cooperation relationships with telecom operators and large enterprises in the industry, the Group expects that the quantity, value and quality of purchase orders will increase significantly with the post-pandemic economic recovery and increased infrastructure investment.

In terms of technology expansion, the Group is vigorously promoting the application of performance management solutions in the areas of self-intelligent networks and 5G industry private networks.

With the rapid development of network intelligence, self-intelligent network that acts as the intersection of “network technology and digital technology”, has become an important choice for operators to promote network transformation, and has become an important direction for the digitalization, automation and intelligent upgrading of new information technology infrastructure construction. Currently, telecom operators have shifted their focus of network management from “ensuring stable network operation” to “efficiently supporting business development” in order to run their operations management more online, automated, and intelligent. The duo of big data analysis and commercial AI applications acts to create an experience-centered digital network. Well fitting in with the requirements of self-intelligent network transformation, the Group’s APM product capabilities could drive network self-adaptation, self-learning and self-evolution through data management of service performance and customer experience, constantly improving its intelligent capabilities. In order to improve product capabilities, as a key investment in 2023, the Group has set up an AI team to conduct in-depth researches on AI technologies tailored for our customers’ needs. Such researches aim to apply algorithms such as active prediction, image recognition, anomaly detection, and correlation analysis in typical business applications to form public AI capabilities that could facilitate the rapid development of AI applications for product lines.

With the increasing users’ demand to subdivide commercial situations, the implementation of 5G private network projects needs to be expedited, and the replication of networks will scale up this year. Telecom operators, equipment manufacturers and cloud vendors, all along a vertical chain in an industry, will intensify their competition in the 5G private network market. In view of the urge to provide industry users with intelligent high-performance networks for production, management, and operation, the demand for APM products for 5G applications (service performance assurance) is increasing significantly.

Based on a previous business evaluation of the 5G industry private network overall solution, the Group decided to continue to make efforts in two directions:

(1) In-depth development: from the 5G industry private network operation and maintenance operation platform, to develop cooperation with industry leaders to expand into the fields of 5G intelligent industry terminals, modules and chips; and

(2) Horizontal expansion: to establish more management models for commercial situations. The Group has successfully delivered application performance assurance capabilities in smart factories, smart transportation, smart estate, smart ports, smart mines, and smart healthcare, and will continue to expand the application breadth of its products this year.

Concurrently, our industry-university-research collaboration with applied technology research centers of top universities in China has made preliminary progress, we received accolades from various professional customers for the delivered capabilities. This year, the Group aims to set itself as an example in the industry and position itself as a core supplier in this field.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2022 amounted to approximately RMB103.8 million, representing an increase of approximately RMB4.6 million or 4.7% as compared with approximately RMB99.1 million for the year ended 31 December 2021. The increase was mainly attributable to the combined effect of: (i) the decrease in revenue generated from provision of integrated APM system solutions of approximately RMB2.6 million; (ii) the decrease in revenue generated from provision of software development services of approximately RMB0.4 million; (iii) the decrease in revenue generated from provision of technical services of approximately RMB2.2 million; and (iv) the increase in revenue generated from sales of embedded hardware and standard APM software of approximately RMB9.9 million.

The following analysis sets forth a breakdown of the Group's revenue by service type for the years ended 31 December 2021 and 2022 respectively:

Integrated APM system solutions

This segment provides integrated APM system solutions by tailor-making our APM products to allow our customers to better manage and monitor their applications and networks. The Group has recorded a decrease in the revenue generated from integrated APM system solutions of approximately 5.6% from approximately RMB47.3 million for the year ended 31 December 2021 to approximately RMB44.6 million for the year ended 31 December 2022. The decrease was mainly because the Group had to take longer time to complete the projects before delivery of the system solutions under the stringent COVID-19 anti-epidemic controls in China.

The demands for integrated APM system solutions are mainly from: (i) various new mobile applications in the market, such as video applications, instant messaging applications, games applications and e-Bank applications etc.; (ii) relocation from traditional applications like websites, email system, enterprise resources planning and customer relation management system etc. to newly-built cloud platform; and (iii) the digital experience management brought by the rapid increase in the number of IoT household users equipped with smart home applications and internet TV/video applications. Those new web applications, newly-built cloud platform and the home application of the IoT require the customers to have stable network with excellent performance to realize its commercial purposes.

Software development services

The Group's software development services typically involve developing customized supporting software for upgrade and expansion of the APM products which are already integrated with our customers' systems and networks. Our revenue derived from the provision of software development services has decreased by approximately 1.3% from approximately RMB28.1 million for the year ended 31 December 2021 to approximately RMB27.7 million for the year ended 31 December 2022. Such slight decrease reflected that this segment was generally stable.

Technical services

This segment provides operational support, system maintenance, network analysis and optimization of full-chain of internet application and research study of specific topics on application and network performance. Our revenue derived from the provision of technical services has decreased by approximately 13.6% from approximately RMB16.3 million for the year ended 31 December 2021 to approximately RMB14.1 million for the year ended 31 December 2022. Such decrease was primarily because the Group had to take longer time to provide technical services under the stringent COVID-19 anti-epidemic controls in China.

Sales of embedded hardware and standard APM software

We have from time to time sold embedded hardware and standard APM software to customers who do not require tailor-making services. Our revenue generated from the sales of embedded hardware and standard APM software has increased by approximately 132.0% from approximately RMB7.5 million for the year ended 31 December 2021 to approximately RMB17.4 million for the year ended 31 December 2022. Such increase was primarily due to the Company's strategy to enlarge its clientele by increasing sale of standard software to non-operator customers.

Gross profit and gross profit margin

The Group's gross profit has decreased by approximately 12.3% from approximately RMB54.8 million for the year ended 31 December 2021 to approximately RMB48.1 million for the year ended 31 December 2022, mainly due to the decrease in the business volume of integrated APM system solutions and technical services and increase in cost of sales. The Group's gross profit margin was recorded at approximately 55.3% and approximately 46.3% for the year ended 31 December 2021 and 2022, respectively. The major reason for the decrease in gross profit margin was increase in cost of sales as a result of COVID-19, in particular, delivering integrated APM system solution and providing technical services involved more staff and took longer execution time under the stringent COVID-19 anti-epidemic controls in China.

Other income and gains

The Group recorded other income and gains of approximately RMB5.4 million and approximately RMB12.7 million for the years ended 31 December 2021 and 2022, respectively. Such increase was mainly due to the increase in the exchange gain of approximately RMB7.1 million and interest income of approximately RMB0.6 million.

Selling and distribution expenses

The Group's selling and distribution expenses has decreased by approximately 5.6% from approximately RMB15.1 million for the year ended 31 December 2021 to approximately RMB14.2 million for the year ended 31 December 2022. Such decrease was primarily due to our reduced marketing activities under COVID-19 anti-epidemic controls in China.

Research and development costs

The Group's R&D costs has increased by approximately 52.6% from approximately RMB24.0 million for the year ended 31 December 2021 to approximately RMB36.6 million for the year ended 31 December 2022. The increase was mainly attributable to the increase of R&D staff costs as a result of the increase in headcounts in relation to 5G related business and AI research team in order to improve its competitiveness.

Administrative expenses

The Group's administrative expenses has increased by approximately 44.5% from approximately RMB16.8 million for the year ended 31 December 2021 to approximately RMB24.3 million for the year ended 31 December 2022. The increase was mainly attributable to the increases in various costs in associate with additional precautious measures for our staff in Beijing in response to the COVID-19 anti-epidemic controls, the increases in various professional services fees in relation to testing of our products and the mandatory unconditional cash offer, and the increase in headcounts for the need of further corporate development.

(Loss)/profit attributable to the owners of the Company

Due to the foregoing reasons, the Group recorded a loss attributable to the owners of the Company of approximately RMB11.9 million for the year ended 31 December 2022 as compared to a profit attributable to the owners of the Company of approximate RMB3.6 million for the year ended 31 December 2021.

LIQUIDITY AND FINANCIAL RESOURCES

For the year ended 31 December 2022, the Group's cash and cash equivalents, together with available credit facilities and expected cash flow from operations, were sufficient to satisfy the current operational requirements and the capital expenditures of the Group.

The Group's net current assets increased from approximately RMB165.6 million as at 31 December 2021 to approximately RMB275.2 million as at 31 December 2022. Our cash and cash equivalents were approximately RMB171.4 million as at 31 December 2022 (as at 31 December 2021: approximately RMB64.1 million).

The Group's current ratio, calculated based on current assets over current liabilities, increased from 5.8 as at 31 December 2021 to 8.2 as at 31 December 2022. The Group's debt to equity ratio decreased from 5.4% as at 31 December 2021 to 3.5% as at 31 December 2022. The calculation of debt-equity ratio is based on the total interest-bearing borrowings divided by total equity and multiplied by 100%.

The improvement in both current ratio and debt to equity ratio was primarily due to the Rights Issue completed in June 2022, the net proceeds from which amounted to approximately HK$138.0 million (equivalent to approximately RMB118.0 million) which was deposited into licenced banks in Hong Kong and Mainland China as at 31 December 2022.

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policy and thus maintained a healthy liquidity position for the year ended 31 December 2022. To manage the liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's main operations are in China with most of its transactions being settled in RMB. Certain portion of the Group's cash and bank deposits are denominated in Hong Kong dollars ("**HK$**") and US dollars ("**US$**"). The balance of cash and cash equivalents of approximately RMB171.4 million as at 31 December 2022 included HK$124.0 million (equivalent to approximately RMB110.6 million) and US$43,000 (equivalent to approximately RMB0.3 million) held in licenced banks in Hong Kong and Mainland China. The Group did not experience any impact or difficulties in liquidity on its operations resulting from currency exchange and no hedging transaction or forward contract arrangement was made by the Group during the year ended 31 December 2022. In this respect, the management of the Company will closely monitor foreign exchange risk to ensure that appropriate measures are implemented in a timely and effective manner.

CAPITAL STRUCTURE

References are made to the Company's announcements dated 21 April 2022 and 17 June 2022 (collectively, the "**Announcements**") and the Rights Issue Prospectus.

On 21 April 2022, the Company announced that it proposed to raise approximately HK$139.7 million, before expenses, by issuing 254,000,000 rights shares ("**Rights Shares**", each a "**Right Share**"), which after fully-paid would rank pari passu with the ordinary shares, by way of Rights Issue at the subscription price of HK$0.55 per Rights Share, on the basis of one Rights Share for every two existing Shares of the Company held on 25 May 2022 (the "**Record Date**") by the shareholder(s) of the Company, other than the excluded shareholder(s), whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date. The reasons for the Rights Issue were to raise funds to invest in big data analytics and AI capabilities with a view to (i) broadening its product and service types for digital households and enterprises; and (ii) diversifying its customer base into various industries to reduce reliance on the state-owned telecommunication operators, thereby improving the income stream and profitability of the Group.

The Rights Issue was over-subscribed by 69,679,957 Rights Shares, representing approximately 27.4% of the total number of 254,000,000 Rights Shares available for subscription under the Rights Issue. Completion of the Rights Issue took place on 20 June 2022, where an aggregate of 254,000,000 Rights Shares, representing approximately 33.3% of the issued share capital of the Company (as enlarged by the allotment and issue of the Rights Shares), have been issued to 19 valid applicants, as such, the Company's issued shares increased from 508,000,000 shares to 762,000,000 shares. The aggregate nominal amount of the Rights Shares is HK$2,540,000. The subscription price of HK$0.55 per Right Share represents a discount of approximately 34.5% to the closing price of HK$0.84 per share as quoted on the Stock Exchange on 21 April 2022 (being the date on which the terms of the Rights Issue were fixed). The gross proceeds from the Rights Issue are approximately HK$139.7 million (equivalent to approximately RMB119.5 million) and the net proceeds from the Rights Issue, after deducting professional fees and all other relevant expenses, amounted to approximately HK$138.0 million (equivalent to approximately RMB118.0 million). The net subscription price is approximately HK$0.54 per Rights Share.

The Company intends to apply approximately HK$117.7 million of the net proceeds of the Rights Issue for the investment in and upgrade of big data and AI analysis technologies, in particular, the development of big data mining capability, big data concurrent performance processing capability, big data privacy computing capability and big data intelligent routing capability. Such investment and upgrade can be made by the Group through (a) potential merger and acquisition opportunities of companies engaged in R&D of Internet of Thing, AI and cloud technologies and provision of information technology solutions with big data analytics and AI capabilities in the Mainland China; (b) own capital expenditure on big data processing platforms or systems; (c) acquiring comprehensive market and industry databases; and/or (d) recruitment of additional R&D staff with data analytical capabilities. The remaining net proceeds of the Rights Issue, approximately HK$20.3 million, will be used for general corporate and working capital purposes. As at 31 December 2022, the net proceeds from the Rights Issue have not been utilized but deposited into licenced banks in Hong Kong and Mainland China. The Company aims to commence the use of the net proceeds of the Rights Issue in 2023 and the management team is actively seeking suitable opportunities to execute the investment plan in accordance with the use of proceeds as disclosed in the Rights Issue Prospectus.

For more details of the Rights Issue, please refer to the Announcements and the Rights Issue Prospectus.

Other than the Rights Issue, there was no change in the capital structure of the Company during the year ended 31 December 2022. The capital structure of the Group mainly consists of shareholders' equity, which includes share capital and reserves, and bank borrowings. As at 31 December 2022, the Company's issued share capital comprises only 762,000,000 ordinary shares of HK$0.01 each and amounted to HK$7,620,000 (equivalent to RMB6,686,000), Total shareholders' equity of the Company amounted to approximately RMB289.4 million as at 31 December 2022 (as at 31 December 2021: approximately RMB183.7 million).

As at 31 December 2022, the Group's total interest-bearing bank borrowings which were repayable within one year amounted to RMB10.0 million (as at 31 December 2021: RMB10.0 million). There is no material seasonality of borrowing requirements for the Group. The interest rates of the Group's total interest-bearing bank borrowings were denominated in RMB and fixed at approximately 3.0% per annum during the year ended 31 December 2022.

CAPITAL EXPENDITURES

For the year ended 31 December 2022, the Group's capital expenditures amounted to approximately RMB0.7 million (2021: RMB0.4 million), mainly in computer equipment.

MATERIAL COMMITMENTS OR CONTINGENT LIABILITIES

As at 31 December 2022, the future lease payments for the Groups' non-cancellable lease contracts are RMB0.2 million (2021: RMB0.2 million) due within one year.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 30 November 2016 (the "**2016 Prospectus**") and the Rights Issue Prospectus, the Group did not have other substantial future plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

For the year ended 31 December 2022, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

SIGNIFICANT INVESTMENTS AND ACQUISITION OF CAPITAL ASSETS

For the year ended 31 December 2022, the Group did not hold any significant investments nor made any significant acquisition of capital assets.

CHARGE ON GROUP'S ASSETS

As at 31 December 2022, apart from bank deposits amounting to RMB4.2 million that were pledged to banks mainly in relation to a short term bank loan and RMB0.3 million were pledged in relation to a letter of guarantee (31 December 2021: RMB5.5 million in relation to a short term bank loan, RMB0.6 million in relation to bills payable), no other Group's assets were charged to any financial institutions.

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As of 31 December 2022, the Group had 299 employees (2021: 263). The staff costs including Directors' emoluments were approximately RMB69.1 million for the year ended 31 December 2022 (2021: approximately RMB56.3 million).

The employees' compensation of the Group includes basic salary, bonuses, cash subsidies and pension scheme contributions. The Group determines employees' compensation based on each employee's performance, qualifications, position and seniority.

The Company adopted a share option scheme (the "**Share Option Scheme**") on 21 November 2016 to provide incentives and rewards to eligible persons for their contribution to, and continuing efforts to promote the interest of, the Group.

The Company also adopted a share award scheme (the "**Share Award Scheme**") on 10 January 2020 (i) to recognize and motivate the contributions of the eligible persons; (ii) to provide them with incentives in order to retain such persons for continual operation and development of the Group; and (iii) to recruit suitable personnel in the interest of further development of the Group. The scheme was terminated on 25 March 2022.

The Company recognizes the importance of keeping the Directors updated with the latest information of duties and obligations of a director of a company whose shares are listed on the Stock Exchange and the general regulatory and environmental requirements for such listed company. To meet this goal, the Group is committed to our employees' continuing education and development.

The Group provides various training programs to the employees, such as corporate culture training and initial training for new employees with a view to improving staff knowledge in a number of important areas of our services, on a quarterly basis. Internal training programs of our Group are also dynamic and tailored in accordance with the particular stage of the Group's development.

USE OF PROCEEDS

On 12 June 2018, 21,255,000 Shares were allotted and issued by the Group on GEM, at the price of HK$1.08 per share (market price on 6 June 2018: HK$1.26 per share). For further information, please refer to the announcements of the Company under stock code 8342 dated 6 June 2018 and 12 June 2018.

The Company's net proceeds from the allotment and issuance of additional Shares (after deducting the underwriting fees and other related expenses) were approximately HK$22.4 million. Such proceeds from the placing were used to fund general corporate purposes. As at 31 December 2022, such proceeds from the placing has been fully utilized by the Group.

On 20 June 2022, the Company completed the Rights Issue to raise net proceeds of approximately HK$138.0 million (equivalent to approximately RMB118.0 million) by issuing additional 254,000,000 Rights Shares. The Company intends to apply approximately HK$117.7 million of the net proceeds of the Rights Issue for the investment in and upgrade of big data and AI analysis technologies and the remaining net proceeds of the Rights Issue for general corporate and working capital purposes. As at 31 December 2022, the net proceeds from the Rights Issue of approximately HK$138.0 million have not been utilized but deposited into licenced banks in Hong Kong and Mainland China. The Company aims to commence the use of the net proceeds of the Rights Issue in 2023 and the management team is actively seeking suitable opportunities to execute the investment plan in accordance with the use of proceeds as disclosed in the Rights Issue Prospectus.

PUBLIC FLOAT

Mandatory Unconditional Cash Offer

References are made to (i) the announcements of the Company dated 14 January 2022, 28 January 2022, 17 February 2022 and 10 March 2022; and (ii) the composite offer document and the response document jointly despatched by the Company and the Offeror (as defined below) on 17 February 2022 (the "**Composite Document**").

On 12 January 2022, (i) Cohort Investments Limited, Copious Link Investments Limited, Worldgate Ventures Limited, Sino Impact Limited, Silver Coral Developments Limited and Hugemind Investments Limited (as vendors) (collectively, the "**Vendors**"); (ii) Mr. Sie Tak Kwan, Mr. Guan Haiqing, Mr. Yue Yong, Mr. Kwan Shan, Ms. Ma Chunru and Mr. Liang Judong (as guarantors); and (iii) Phoenix Wealth (Cayman) Asset Management Limited (as purchaser) (the "**Offeror**" or "**Phoenix Wealth**") entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**"), and the Offeror agreed to acquire 364,750,000 Shares held by the Vendors, representing approximately 71.80% of the total issued share capital of the Company, for a total cash consideration of HK$248,431,225 (equivalent to HK$0.6811 per Share). Pursuant to Rule 26.1 of the Codes on Takeovers and Mergers and Share Buy-backs (the "**Takeovers Code**"), the Offeror made a mandatory unconditional cash offer (the "**Offer**") for all issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it) in accordance with the terms as set out in the Composite Document in accordance with the Takeovers Code.

The Offer was closed on 10 March 2022 and was not revised or extended by the Offeror. As at 10 March 2022, the Offeror, Mr. Du Li (the ultimate beneficial owner of the Offeror) and the parties acting in concert with either of them held 379,810,000 Shares, representing approximately 74.77% of the total issued share capital of the Company, and 128,190,000 Shares, representing approximately 25.23% of the total issued share capital of the Company, were held by the public (as defined under the Listing Rules).

For more details, please refer to the Composite Document and the announcements of the Company dated 14 January 2022, 28 January 2022, 17 February 2022 and 10 March 2022 respectively.

Rights Issue

References are made to the Announcements. Completion of the Rights Issue took place on 20 June 2022, where an aggregate of 254,000,000 Rights Shares, representing approximately 33.3% of the issued share capital of the Company (as enlarged by the allotment and issue of the Rights Shares), have been issued. Immediately after completion of Rights Issue, Phoenix Wealth became interested in an aggregate of 569,715,000 Shares, representing approximately 74.8%, of the total issued share capital of the Company and 192,285,000 Shares, representing approximately 25.2% of the total issued share capital of the Company, were held by the public (as defined under the Listing Rules).

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules as at the date of this announcement.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2022.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with relevant requirements which could lead to adverse impact on the business operation and financial position of the Group. The Board is responsible for ensuring that the Group is in compliance with the relevant laws and regulations. The laws and regulations which have a significant impact on the Group include, among others, the Copyright Law of the PRC, the Regulations on Computer Software Protection, the Patent Law of the PRC, the Trademark Law of the PRC and the provisions on protection of personal Information of Telecommunication and Internet User. To the best knowledge of the Board, the Group has complied with relevant laws and regulations during the year ended 31 December 2022.

EVENTS AFTER THE REPORTING PERIOD

There is no significant event of the Group after 31 December 2022 and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

The Group's corporate governance practices are based on the principles and the code provisions in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

The Board recognizes the value and importance of achieving high corporate governance standards and is committed to upholding good corporate standards and procedures for the best interest of its shareholders.

During the year ended 31 December 2022, the Group has applied the principles of and is in compliance with all code provisions of the CG Code save as disclosed below.

Code Provision A.2.1 provides that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive should be clearly established and set out in writing. During the period from 1 January 2022 to 1 June 2022, the role of the Chairman of the Company was performed by Mr. Guan Haiqing and the role of the Chief Executive Officer of the Company was performed by Mr. Sie Tak Kwan. With effect from 1 June 2022, Mr. Guan Haiqing and Mr. Sie Tak Kwan resigned as the Chairman and the Chief Executive Officer, respectively, and Mr. Shi Zhimin was appointed as the Chairman and the Chief Executive Officer on the same day. Currently, Mr. Shi Zhimin is both the Chairman and Chief Executive Officer of the Company. In view of the fact that Mr. Shi Zhimin possesses extensive management experience in listed companies, the Board considers that vesting the roles of both the Chief Executive Officer and the Chairman in the same person has the benefit of ensuring consistent leadership with the Company and enables more effective and efficient overall strategic planning for the Company. The Board believes that under the supervision of the Board and its independent non-executive Directors, 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 efficiently. The Board shall nevertheless review the structure from time to time and it will consider the appropriate move to take should suitable circumstance arise. The Company has complied with all the code provisions of Appendix 14 to the Listing Rules and was not aware of any non-compliance relating thereto.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (final dividend for the year ended 31 December 2021: nil).

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting (the "**AGM**") is scheduled to be held on Friday, 12 May 2023. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 9 May 2023 to Friday, 12 May 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Monday, 8 May 2023.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct for dealing in securities of the Company by the Directors.

During the year ended 31 December 2022, the Group has made specific enquiry to all Directors, who have confirmed that, each of them was in compliance with the Model Code.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established on 21 November 2016 with written terms of reference revised by the Board with effect from 29 November 2018 and 30 December 2022 in compliance with Rules 3.21 and 3.22 of the Listing Rules and the code provision D.3.3 of the CG Code. During the period from 1 January to 7 April 2022, the Audit Committee comprised Mr. Cheung Hon Fai, Professor Lam Kin Man and Mr. Shen Qi, all of them were independent non-executive Directors of the Company. The chairman of the Audit Committee was Mr. Cheung Hon Fai, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Mr. Cheung Hon Fai resigned as an independent non-executive Director on 7 April 2022 and he ceased to be the chairman of the Audit Committee with effect from 7 April 2022 accordingly. Professor Lam Kin Man and Mr. Shen Qi resigned as independent non-executive Directors on 7 April 2022 and both of them ceased to be a member of the Audit Committee with effect from 7 April 2022 accordingly.

Mr. Yeung Man Simon, Mr. Hu Jianjun and Ms. Ru Tingting were appointed as independent non-executive Directors on 7 April 2022. Mr. Yeung Man Simon was also appointed as the chairman of the Audit Committee with effect from 7 April 2022 and both Mr. Hu Jianjun and Ms. Ru Tingting were also appointed as a member of the Audit Committee with effect from 7 April 2022. Mr. Yeung Man Simon holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

During the year ended 31 December 2022, none of the members of the Audit Committee are former partners of the Company's existing external auditors.

The Group's consolidated financial results for the year ended 31 December 2022 have been reviewed by the Audit Committee and the management of the Company, which were of the view that the preparation of such financial results has complied with the applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the announcement have been agreed by the Group's auditor, Ernst & Young ("EY"), to the amounts set out in the Group's draft consolidated financial statement for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on the results announcement.

By Order of the Board
Vixtel Technologies Holdings Limited
Shi Zhimin
Chairman, Chief Executive Officer and executive Director

Hong Kong, 28 March 2023

As at the date of this announcement, the Board comprises Mr. Shi Zhimin as executive Director; Mr. Guan Haiqing as non-executive Director and Mr. Yeung Man Simon, Mr. Hu Jianjun and Ms. Ru Tingting as independent non-executive Directors.