VIXTEL TECHNOLOGIES HOLDINGS LIMITED

飛思達科技控股有限公司

Stock code : 1782

2022

ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Shi Zhimin *(Chief Executive Officer and Chairman)*

Non-executive Director

Mr. Guan Haiqing

Independent Non-executive Directors

Mr. Yeung Man Simon
Mr. Hu Jianjun
Ms. Ru Tingting

COMPANY SECRETARY

Mr. Chan Ngai Chi *(FCPA, FCCA, CFA)*

AUTHORISED REPRESENTATIVES

Mr. Shi Zhimin
Mr. Chan Ngai Chi *(FCPA, FCCA, CFA)*

AUDIT COMMITTEE

Mr. Yeung Man Simon *(Chairman)*
Mr. Hu Jianjun
Ms. Ru Tingting

REMUNERATION COMMITTEE

Mr. Hu Jianjun *(Chairman)*
Mr. Shi Zhimin
Mr. Yeung Man Simon
Ms. Ru Tingting

NOMINATION COMMITTEE

Ms. Ru Tingting *(Chairlady)*
Mr. Shi Zhimin
Mr. Yeung Man Simon
Mr. Hu Jianjun

INDEPENDENT AUDITOR

Ernst & Young

REGISTERED OFFICE

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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LEGAL ADVISER

Li & Partners
22/F., World Wide House
Central
Hong Kong

PRINCIPAL BANKERS

In Mainland China
Industrial and Commercial Bank of China
China Merchants Bank

In Hong Kong
Standard Chartered Bank
China CITIC Bank International

WEBSITE ADDRESS

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STOCK CODE

1782

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "**Board**") of Vixtel Technologies Holdings Limited (the "**Company**"), I hereby present the audited consolidated annual results of the Company and its subsidiaries (collectively the "**Group**" or "**We**") for the year ended 31 December 2022 (the "**Year**").

2022 continued to be an extremely challenging year, extending the difficulties stemming from the coronavirus COVID-19 pandemic ("**COVID-19**" or the "**Pandemic**") since its outbreak in 2020. Lately, we could see the light at the end of the tunnel. The beginning of 2023 marked a new chapter in China's economy with the total relaxation of various controls against COVID-19 and a comprehensive reopening of the entire economy.

The Group had experienced a highly thorny operating environment throughout the past three years, requiring us to engage more staff and take longer time to deliver our services and complete our projects. As a result, our profit margin was severely, though temporarily, suppressed.

Prepare for the worst while hoping for the best. We fervently believe that the wheels of technological progress are unstoppable. During the Year, we put more resources to expand our research and development ("**R&D**") team and reinforcing market development in such a difficult moment that was never encountered before. Such a doubling-down strategy is expected to swiftly pay off in the near future upon the normalization of every segment of the Chinese economy, in particular, the hi-tech industry is believed to be the first to benefit.

While we maintain a positive outlook for 2023, we approach our business strategy with caution, particularly when it comes to expanding our lines of business. To better prepare for future business development, we have solidified our capital structure by completing a rights issue in June 2022. The proceeds of the rights issue will be carefully utilized as planned to grow the areas in which we have a competitive edge and to pursue acquisition opportunities when the appropriate ones arise.

Last but not least, on behalf of the Board and the management, I would like to thank our entire staff for their dedication and contribution to the Group during the Year. I would also like to thank our shareholders, investors, customers, suppliers and business partners for their strong continued support.

Vixtel Technologies Holdings Limited
Shi Zhimin
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 28 March 2023

	For the year ended 31 December		
	2022 RMB'000	2021 RMB'000	**CHANGE %**
Revenue	**103,767**	99,120	↑ 4.7%
Gross profit amount	**48,052**	54,811	↓ 12.3%
Gross profit margin (%)	**46.3%**	55.3%	
(Loss)/profit for the year	**(14,125)**	3,481	
Net (Loss)/profit margin (%)	**(13.6)%**	3.5%	
(Loss)/profit attributable to owners	**(11,929)**	3,643	
Margin of (Loss)/profit attributable to owners (%)	**(11.5)%**	3.7%	

	As at 31 December		
	2022 RMB'000	2021 RMB'000	**CHANGE %**
Cash and cash equivalents	**171,366**	64,061	↑ 167.5%
Total assets	**329,372**	220,302	↑ 49.5%
Total liabilities	**39,997**	36,647	↑ 9.1%
Total Equity	**289,375**	183,655	↑ 57.6%
Current ratio	**8.2**	5.8	
Quick ratio	**8.1**	5.7	
Debt to equity ratio *(Note)*	**3.5%**	5.4%	

Note: Total interest-bearing borrowings divided by total equity and multiplied by 100%.

BUSINESS REVIEW

The Group is a market leader in China's Application Performance Management ("**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 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 increase 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 the 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 precautions 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 for the year

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. Unless otherwise specified, capitalised terms used in this report shall have the same meanings as stated in 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, 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 of Hong Kong Limited (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 3.7% 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.

DIVIDEND

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

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 THE 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. For details of the Share Option Scheme, please refer to the section headed "SHARE OPTION SCHEME" in this report.

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 Share Award Scheme was terminated on 25 March 2022. For details of the Share Award Scheme, please refer to the section headed "SHARE AWARD SCHEME" in this report.

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**"). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in 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 Rules Governing the Listing of Securities on the Stock Exchange (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.

PRINCIPAL RISKS AND UNCERTAINTIES

– A substantial amount of our revenue is derived from the contracts entered into with the subsidiaries of China's largest telecom group and any decrease or loss of business from them could adversely and substantially affect our business, results of operations and financial conditions.

  Leveraging on the Group's position as a leading provider of APM products and services in China's telecommunications industry, the Group is now expanding business to China's second and third largest telecom groups and the broadcasting and television industry. Given that the network architectures and technologies of China's telecom groups are quite similar, the Company's products and services can meet their needs. The Group has also promote our new SaaS cloud platform products to small and medium-sized enterprise customers. The Group is also actively promoting the diversification of customers which will effectively reduce the risk.

– We may be exposed to payment delays and/or defaults by our customers, particularly our largest customer, the China's largest telecom group, which would adversely affect our cash flow or financial results.

  The Group has established a special team to follow up with the payment status of the customer contracts, to strictly review the terms and conditions of the contracts and to avoid and reduce the delay in payment or delinquency.

– We rely on staff in our R&D department to maintain and enhance our products and services. Failure to retain staff in our R&D department would materially and adversely affect our business, financial conditions and results of operations.

  The Group has provided competitive compensation and benefits to retain the outstanding employees in our R&D department. Meanwhile, the Group has strengthened the training of our new staff in order to avoid the impact of employee turnover on our business operations. The Group has also actively considered the Share Option Scheme and Share Award Scheme to increase R&D staff loyalty and to reduce employee turnover.

– Our revenue is mainly derived from one-time projects and any decrease in the number of projects would affect our operations and financial results.

  The Group is vigorously promoting products to other telecom operators and the broadcasting and television industry to increase the number of projects and to heighten the proportion of the services that can be renewed each year in these projects. The cloud-based SaaS application performance management system will provide a large number of small and medium-sized enterprise customers with long-term and sustainable services, which will effectively reduce the Group's dependence on the revenue derived from one-time projects.

– Our business may be subject to seasonal effects, and any disruption of business during the peak seasons could adversely affect our liquidity and results of operations.

  The Group actively expands our customer base, including small and medium-sized enterprises and overseas markets, to lessen the seasonal impact of a single industry and strengthen our contract/order management to avoid the impact of the excessive concentration of business in a quarter on the Group's cash flow and performance.

– We may be subject to foreign exchange risk stemming from the Group's holding of Hong Kong dollars 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.

KEY FINANCIAL AND BUSINESS PERFORMANCE INDICATORS

The key financial and business performance indicators comprise profitability growth and return on equity. Details of the Group's profitability growth are shown in the paragraph headed "Net (loss)/profit for the year" in this section of this annual report.

The Group's return on equity, calculated based on (loss)/profit for the year over total equity decreased from 1.9% for the year ended 31 December 2021 to -4.9% for the year ended 31 December 2022. The decrease was primarily due to the decrease in net profit of the Group

EXECUTIVE DIRECTORS

Mr. Shi Zhimin ("**Mr. Shi**"), aged 41, is the Chairman (the "**Chairman**"), the Chief Executive Officer and an executive Director of the Company. He is primarily responsible for the overall management and strategic development of the Group. He obtained a bachelor's degree in business administration from China University of Geosciences in 2004 and has extensive management experience in listed companies. During the period from July 2009 to October 2015, Mr. Shi was the general manager of Shenzhen Ruice Technology Company Limited* (深圳市瑞測科技有限公司), which engages in (i) technology development, sales and on-site maintenance of test instruments, meters, electronic equipment and mechanical equipment parts, chemical products (excluding dangerous goods), optoelectronic materials, insulation materials, rubber and plastic materials, heat shrinkable materials; (ii) information consulting; and (iii) import and export business. During the period from 6 April 2016 to 6 November 2017, Mr. Shi was the chairman of Guangdong Boxin Investment Holding Company Limited* (廣東博信投資控股股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (600083.SH) and engages in the business of intelligent hardware and its derivative products, leasing and sales of heavy machinery and equipment, and commodity trading. Mr. Shi has been the general manager and legal representative of Shenzhen Qianhai Xuanzhuo Investment Management Company Limited (深圳前海烜卓投資管理有限公司) since November 2015. He has also been the executive affairs representative of Shenzhen Qianhai Xuanzhuo Investment Development Centre (Limited Partnership)* (深圳前海烜卓投資發展中心(有限合夥)) since November 2015. It is a company that engages in investment management, entrusted asset management (excluding trust, financial asset management, securities asset management and other restricted projects), equity investment, investment and running of corporate entities (subject to declaration of individual project), participating in setting up and providing management consultancy to venture capital enterprises, investment and corporate management consultancy services (excluding restricted business).

Mr. Shi is currently a director of Licorne Intelligent Technologies Co., Limited and Licorne Intelligent Technologies Holdings Limited, a legal representative and director in Licorne Intelligent (Beijing) Technologies Holdings Limited* (百澤智慧(北京)科技有限公司), Licorne Intelligent (Shenzhen) Information Technologies Company Limited* (百澤智慧(深圳)信息科技有限公司) and Licorne Shanghui (Shanghai) Technologies Company Limited* (百澤尚慧(上海)科技有限公司)), all of which are indirect wholly-owned subsidiaries of the Company.

NON-EXECUTIVE DIRECTORS

Mr. Guan Haiqing ("**Mr. Guan**"), aged 48, is a non-executive Director of the Company. Mr. Guan graduated from Shanghai Jiao Tong University (上海交通大學) with a bachelor's degree in automation in July 1995. Mr. Guan has over 21 years of sales and marketing experience in high technology software solution enterprises. Mr. Guan joined our Group as the sales director in April 2015 and was appointed as our Director on 10 November 2015, redesignated as our executive Director on 28 July 2016; and appointed as the Chairman on 22 June 2020. Mr. Guan resigned as Chairman and redesignated from executive Director to non-executive Director on 1 June 2022. Prior to joining the Group, Mr. Guan has worked in the capacity of research and development engineer and a testing engineer in Shanghai Bell Alcatel Mobile Communication System Company Limited (上海貝爾阿爾卡特移動通信系統有限公司) from April 1996 to April 2000 and the sales manager of Agilent Technologies Group (安捷倫科技集團) from June 2000 to April 2010. Mr. Guan then worked in the sales department of JDSU Photoelectric Technology (Beijing) Co., Ltd (捷迪訊光電技術(北京)有限公司) from August 2010 to June 2013. From July 2013 to March 2015, Mr. Guan worked as a senior sales manager at JDSU Communication Technology (Shenzhen) Co., Ltd (Shanghai Branch) (捷迪訊通訊技術(深圳)有限公司(上海分公司)).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yeung Man Simon ("**Mr. Yeung**"), aged 51, is an independent non-executive Director. Mr. Yeung graduated from the University of Georgia with the degree of Bachelor of Business Administration, major in accounting and finance in March 1997. Mr. Yeung was admitted as an associate member of the Hong Kong Society of Accountants (currently known as Hong Kong Institute of Certified Public Accountants) in April 2002 and a member of the American Institute of Certified Public Accountants in July 2001.

Mr. Yeung has more than 24 years of experience in corporate finance, financial management and initial public offering of companies on the Stock Exchange. During the period from 1997 to 2015, Mr. Yeung had acted as the company secretary, financial controller as well as chief financial officer in a number of companies whose shares are listed on the Stock Exchange involving different industries. In May 2015, Mr. Yeung worked as a vice president of a subsidiary of Crown International Corporation Limited (stock code: 727) ("Crown International"), responsible for business development, corporate finance, financial management and control, and was later appointed as the executive director and chief financial officer of Crown International in August 2015. He was later redesignated as its chief executive officer and executive director in October 2016 and further appointed as its company secretary in March 2017. Mr. Yeung resigned from Crown International in March 2019. From May 2019 to September 2019, Mr. Yeung was the head of China market development department of Creative Property Services Consultants Limited, a company principally engaged in property management and a subsidiary of Creative Enterprise Holdings Limited, the shares of which were previously listed on the Main Board of the Stock Exchange. Since April 2021, Mr. Yeung has acted as the chief financial officer and the company secretary of Zhong An Intelligent Living Service Limited which is an integrated property management service provider in the PRC and the shares of which are proposed to be listed on the Main Board of the Stock Exchange.

Mr. Yeung was appointed as an independent non-executive director of Buyang International Holding Inc in October 2020, the shares of which have been listed on the Main Board of the Stock Exchange (stock code: 2457) since November 2022.

Mr. Hu Jianjun ("**Mr. Hu**"), aged 43, is an independent non-executive Director. Mr. Hu obtained a bachelor's degree in management from Huazhong University of Technology in July 2002, and a master's degree in economics with a major in labour economics from Renmin University of China in July 2005. Mr. Hu has extensive experience in human resources management, asset management and investment fund management. Mr. Hu started to work in China Nuclear Power Engineering Co., Ltd. and its subsidiaries focusing on human resources matters in July 2005 and left the group in February 2022 with the last position as the Deputy General Manager of Shandong Bailu Chenxi Equity Investment Fund Management Co., Ltd.* (山東白鷺晨翕股權投資基金管理有限公司).

Ms. Ru Tingting ("**Ms. Ru**"), aged 48, is an independent non-executive Director. Ms. Ru obtained a Bachelor of Laws from China University of Political Science and law in July 1995 and a Master of Laws from Renmin University of China in June 2001. During the period from February 2002 to August 2018, Ms. Ru worked in the China Securities Regulatory Commission, first as the deputy director then as the director of the Department of Listed Company Division. Ms. Ru has been a managing partner of Beijing Yongxing Law Firm since September 2018. Since September 2019, Ms. Ru has acted as an independent non-executive director of Hong Kong Johnson Holdings Co., Ltd., the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1955).

COMPANY SECRETARY

Mr. Chan Ngai Chi ("**Mr. Chan**"), aged 51, joined the Group as the chief financial officer of the Company on 1 April 2022 and was appointed as the company secretary of the Company on 1 June 2022. He is primarily responsible for the overall management of the finance and accounting operations and providing financial strategic planning to the Group. Prior to joining the Company, Mr. Chan had more than 27 years of financial management, compliance and auditing experience. Mr. Chan worked in the audit division of PricewaterhouseCoopers Hong Kong and various Hong Kong and U.S. listed companies. Mr. Chan is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and also a CFA Charterholder. Mr. Chan holds a bachelor's degree in business administration in accounting from the Hong Kong University of Science and Technology, a master of science degree from the Chinese University of Hong Kong and an EMBA degree from Peking University. Mr. Chan is currently an independent non-executive director of Beijing Tong Ren Tang Chinese Medicine Company Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3613).

SENIOR MANAGEMENT

Mr. Sie Tak Kwan ("**Mr. Sie**"), aged 46, is currently the financial director of Vixtel Technologies Limited* (飛思達技術(北京)有限公司), an indirect wholly-owned subsidiary of the Company. Mr. Sie has over 20 years of experience in high-technology software solution industry. Mr. Sie graduated from the Hong Kong Polytechnic University with a bachelor's degree in electronic engineering in November 2000. He further obtained a master's degree of science in communication engineering from the University of Hong Kong in December 2003. Mr. Sie joined the Group as a supervisor in December 2010 and was appointed as our Director on 10 November 2015 and was redesignated as our executive Director and Chief Executive Officer on 28 July 2016. Mr. Sie resigned as executive Director and Chief Executive Officer on 1 June 2022. Prior to joining the Group, Mr. Sie has worked as an application engineer and the Asia Business Development Manager of the Electronic Measurements Group at Agilent Technologies Hong Kong Limited (安捷倫科技香港有限公司) successively.

Mr. Yue Yong ("**Mr. Yue**"), aged 50, is currently the chief technology officer of Vixtel Technologies Limited* (飛思達技術(北京)有限公司), an indirect wholly-owned subsidiary of the Company and is primarily responsible for overseeing the engineering and technical operations as well as research and development. Mr. Yue obtained a bachelor's degree in information engineering and a master's degree in engineering from Xidian University (西安電子科技大學) in July 1994 and March 1997 respectively. Mr. Yue joined our Group as the technical director in September 2006 and was appointed as our Director on 10 November 2015 and was redesignated as our executive Director on 28 July 2016. Mr. Yue resigned as executive Director on 7 April 2022. Mr. Yue has over 21 years of experience in the Internet and software industry. Prior to joining the Group, Mr. Yue worked as an application engineer in the Agilent Technologies Group (安捷倫科技集團).

Mr. Liu Zewei ("**Mr. Liu**"), aged 39, was appointed as the head of the product marketing department of Vixtel Technologies Limited* (飛思達技術(北京)有限公司), an indirect wholly-owned subsidiary of the Company and is primarily responsible for product planning and new product research. Mr. Liu joined our Group on 27 December 2007 as the director of the research and development department of our Group. Mr. Liu obtained a bachelor's degree in computer science and technology from the Shanxi University (山西大學) in July 2004. He has over 14 years of experience in the research and development of software systems.

Mr. Chan Ngai Chi, please refer to the section headed "COMPANY SECRETARY' above.

The Directors are pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2022 to the Shareholders.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in the provision of Internet and Web APM products and services. Details of the principal activities of its subsidiaries are set out in note 1 to the consolidated financial statements. There were no significant changes in the nature of the principal activities of the Group during the year ended 31 December 2022.

BUSINESS REVIEW

Part of the business review as required under Schedule 5 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) is included in the sections headed "Management Discussion and Analysis" in this annual report from pages 6 to 18, and such discussion forms part of this directors' report.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2022 and the consolidated statement of profit or loss and other comprehensive income of the Group as at that date are set out in the consolidated financial statements on page 61 of this annual report.

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).

There are no arrangements under which a shareholder has waived or agreed to waive any dividends.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting (the "**AGM**") is scheduled to be held on 12 May, 2023, Friday. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 9 May, 2023, Tuesday to 12 May, 2023, Friday, 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 8 May, 2023, Monday.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the year ended 31 December 2022 is set out in the financial summary on page 140 of this annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the year ended 31 December 2022 are set out in note 13 to the consolidated financial statements.

ISSUED CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2022 are set out in note 25 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's amended and restated articles of association (the "**Articles**") or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

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.

RESERVES

Details of movements in the reserves of the Group are set out in note 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Pursuant to the Companies Law of the Cayman Islands, Chapter 22 (Law 3 of 1961, as consolidated and revised), other than share premium, no other distributable reserve is available for distribution to Shareholders by the Company as at 31 December 2022. As at 31 December 2022, the Company's reserves available for distribution amounted to approximately RMB170.8 million.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 31.1% (2021: approximately 26.5%) of the total turnover for the year ended 31 December 2022 and sales to the largest customer for the same period amounted to approximately 11.3% (2021: approximately 6.32%).

Purchases from the Group's five largest suppliers accounted for approximately 52.1% (2021: approximately 46.8%) of the total purchases during the year ended 31 December 2022 and purchases from the largest supplier during the same period amounted to approximately 35.7% (2021: approximately 34.9%).

To the best knowledge of the Directors, none of the Directors, or any of their associates or any Shareholders (own more than 5% of the Company's issued share capital) had any beneficial interest in the share capital of any of the five largest customers or suppliers of the Group in 2022.

DIRECTORS

The Directors who held office during the year ended 31 December 2022 and up to the date of this annual report were as follows:

EXECUTIVE DIRECTORS

Mr. Shi Zhimin *(appointed as Executive Director on 16 March 2022, as Chief Executive Officer and Chairman on 1 June 2022)*
Mr. Sie Tak Kwan *(resigned as Executive Director and Chief Executive Officer on 1 June 2022)*
Mr. Yue Yong *(resigned as Executive Director on 7 April 2022)*

NON-EXECUTIVE DIRECTOR

Mr. Guan Haiqing *(resigned as Chairman and redesignated from Executive Director to Non-executive Director on 1 June 2022)*
Mr. Liang Judong *(resigned as Non-executive Director on 7 April 2022)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yeung Man Simon *(appointed as Independent Non-executive Director on 7 April 2022)*
Mr. Hu Jianjun *(appointed as Independent Non-executive Director on 7 April 2022)*
Ms. Ru Tingting *(appointed as Independent Non-executive Director on 7 April 2022)*
Mr. Cheung Hon Fai *(resigned as Independent Non-executive Director on 7 April 2022)*
Professor Lam Kin Man *(resigned as Independent Non-executive Director on 7 April 2022)*
Mr. Shen Qi *(resigned as Independent Non-executive Director on 7 April 2022)*

Pursuant to Article 108 of the Articles, at each annual general meeting, one-third of the Directors for the time being or, if their number is not a multiple of three (3), the number nearest to but not less than one-third shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement at least once every three years. Therefore, Mr. Shi Zhimin and Mr. Yeung Man Simon will retire from office by rotation and, being eligible, shall offer himself for re-election at the forthcoming AGM.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographic details of the Directors and senior management of the Group are set out from pages 19 to 21 of this annual report.

DIRECTOR'S SERVICE CONTRACTS/LETTERS OF APPOINTMENT

Mr. Shi Zhimin has entered into a service contract with the Company for a term of three (3) years commencing from 16 March 2022 which may only be terminated in accordance with the provision of the service contract. Mr. Guan Haiqing has entered into a service contract with the Company for a term of three (3) years commencing from 1 June 2022 which may only be terminated in accordance with the provision of the service contract. Each of the independent non-executive Directors, namely Mr. Yeung Man Simon, Mr. Hu Jianjun and Ms. Ru Tingting, has entered into a letter of appointment with the Company for a term of three (3) years commencing from 7 April 2022 which may only be terminated in accordance with the provision of the letter of appointment.

None of the Directors proposed for re-election at the forthcoming AGM has entered into any service contracts or letters of appointment with the Company which is not determinable by the Group within one year without payment of compensation other than the statutory compensation.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No Director nor his/her connected person(s) had material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party subsisting during the year ended or as at 31 December 2022.

COMPETING INTERESTS

During the year ended 31 December 2022, none of the Directors or the Controlling Shareholders (defined hereunder) or their respective associates (as defined in the Listing Rules) had an interest in any business which competes or may compete, either directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group.

DEED OF NON-COMPETITION BY CONTROLLING SHAREHOLDERS

On 21 November 2016, Cohort Investments Limited, Copious Link Investments Limited, Hugemind Investments Limited, Worldgate Ventures Limited, Mr. Yue, Mr. Sie, Mr. Guan and Mr. Liang (the "**Former Controlling Shareholders**") entered into a deed of non-competition ("**Deed of Non-Competition**") in favour of the Company (for itself and as trustee for each of its subsidiaries), pursuant to which each Former Controlling Shareholder, jointly and severally, warrants and undertakes to the Company that, from the Listing Date, he/it shall not, and shall procure his/its close associates or any company directly or indirectly controlled by him/it (other than members of the Group) not to directly or indirectly, carry on, participate, engage or otherwise be interested in any business in anywhere or place which is or may be in competition with the business of any members of the Group from time to time. For details of the Deed of Non-Competition, please refer to the section headed "Relationship with Our Controlling Shareholders" in 2016 Prospectus.

On 15 November 2019, Ms. Ma has executed a supplemental deed (the "**Supplemental Deed**") to the Deed of Concert Parties dated 11 August 2016 (as amended and supplemented by a supplemental deed dated 10 November 2016) with Mr. Sie, Mr. Yue, Mr. Guan and Mr. Liang. Pursuant to the Supplemental Deed, Ms. Ma agrees and undertakes to act in concert with Mr. Sie, Mr. Yue, Mr. Guan and Mr. Liang in the operations, management and all significant matters relating to the Company and its subsidiaries. Accordingly, with effect from 15 November 2019, Mr. Sie, Mr. Yue, Mr. Guan, Ms. Ma and Mr. Liang are parties in concert and each of them is deemed to be interested in the shares of the Company indirectly held by the others pursuant to the SFO. Mr. Sie remains as the leader of the concert parties group.

Each Former Controlling Shareholder has confirmed to the Company of his/her/its compliance with the Deed of Non-Competition for the period from 1 January 2022 up to the completion of the Sale and Purchase Agreement on 13 January 2022. The independent non-executive Directors have also reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied by each of the Former Controlling Shareholders for the period from 1 January 2022 up to the completion of the Sale and Purchase Agreement on 13 January 2022.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five highest paid individuals during the year ended 31 December 2022 are set out in notes 8 to 9 to the consolidated financial statements, respectively.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or was subsisting during the year ended 31 December 2022.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Neither the Company nor any of its subsidiaries has entered into any contract of significance with a controlling Shareholder or any of its subsidiaries, nor any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries.

TAX RELIEF AND EXEMPTION

The Company is not aware of tax relief or exemption available to the shareholders by reason of their holding of the Company's securities.

SHARE OPTION SCHEME

The Company adopted 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.

Details of the Share Option Scheme are as follows:

1.	Purpose of the Share Option Scheme	The purpose of the Share Option Scheme is to enable the Company to grant options to eligible persons as incentives or rewards for their contribution to the Group.
2.	Who may join	Any eligible employee (full time or part-time), executive Director, non-executive Director and independent non-executive Director, advisor and consultant of the Group.

3.	Total number of shares available for issue under the Share Option Scheme	48,674,500 Shares (representing 10% of the total number of Shares in issue as at the Listing Date or approximately 6.39% of the total number of Shares in issue as at the date of this annual report)
4.	Subscription Price	The Subscription price shall be a price determined by the Board, but in any case shall not be less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of the grant, which must be a trading day; (ii) the average closing price per share as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the grant; and (iii) the nominal value of a share on such date of grant.
5.	Maximum entitlement of each participant	The total number of Shares issued and to be issued upon exercise of options granted in any 12-month period to a participant under this Share Option Scheme and other schemes must not exceed 1% of the Shares in issue.
6.	Time of acceptance	An offer of the grant of option may be accepted by the eligible person within 28 days from the date of the offer of grant of options.
7.	Option period	A period which may not expire later than 10 years from the date of the offer of to be determined and notified by Directors to the grantee thereof.
8.	Rights are personal to grantee	An option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber, or create any interest in favour of any third party over or in relation to any option.
9.	Duration of the Share Option Scheme	The Share Option shall be valid and effective for a period of 10 years commencing on 21 November 2016 and has not expired as at the date of this annual report. As at 31 December 2022, the remaining life of the Share Option Scheme was about 3 years and 10 months.

Since the adoption of the Share Option Scheme and up to the date of this annual report, no share options have been granted, exercised, lapsed, cancelled or forfeited pursuant to the Share Option Scheme. On 31 December 2022 and as of the date of this annual report, the Group does not have any outstanding share options, warranties, derivatives or securities that are convertible into or exchangeable for shares.

SHARE AWARD SCHEME

The Company adopted the Share Award Scheme on 10 January 2020. Details of the Share Award Scheme are as follows:

1.	Purpose of the Share Award Scheme	The purposes are (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.
2.	Who may join	Any Director(s) (including, without limitation, any executive, non-executive or independent non-executive Directors), senior manager(s) and employee(s) of the Group.
3.	Duration	Unless terminated earlier by the Board in accordance with the Share Award Scheme rules ("Scheme Rules"), the Scheme shall be valid and effective for a term of ten years commencing on the adoption date.
4.	Vesting	The Board may at its absolute discretion either: (i) direct and procure the trustee to release the award shares to the selected participants by transferring the number of award shares to the selected participants; (ii) or to the extent where it is in the reasonable opinion of the Board not practicable (on the basis stated in the award letter) for the selected participants to receive the award shares and provided that the trading of the shares has not been suspended, direct and procure the trustee to sell the number of award shares within any time as stipulated in the Share Award Scheme rules and pay the selected participants the proceeds arising from such sale.
5.	Lapse/Forfeiture	If a selected participant is unable to meet the vesting conditions as set out in the award letter issued to such selected participant, the relevant award shares shall lapse.
6.	Transferability	Any award granted under the Share Award Scheme but not yet vested shall not be assignable or transferable and no selected participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any Share Award, or enter into any agreement to do so.

7.	Scheme Limit	The total number of Shares to be awarded under the Share Award Scheme shall not exceed 10% of the total number of issued Shares from time to time. The maximum number of award shares which may be granted to a selected participant but unvested under the Share Award Scheme shall not exceed 1% of the total number of issued shares from time to time.
8.	Termination	The Share Award Scheme shall terminate on the earlier of: (i) the tenth anniversary of the adoption date; and (ii) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any selected participant under the Share Award Scheme.

Since the adoption of the Share Award Scheme on 10 January 2020 and up to the date of its termination on 25 March 2022, the Company has granted a total of 13,000,000 award shares to 15 selected participants under the Share Award Scheme, none of whom was the then Directors or directors of subsidiaries of the Company or connected persons of the Company. Such Award Shares should be vested in two tranches in accordance with the following dates: (i) 50% of the Award Shares should be vested on 1 September 2021; and (ii) the remaining 50% would be vested on 31 December 2022. For further information, please refer to the announcements of the Company dated 10 January 2020 and 16 July 2021.

As a result of the mandatory unconditional cash offer made by the Offeror to acquire all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it as announced by the Composite Document of the Offeror and the Company dated 17 February 2022, the Outstanding Award Shares had become vested on the relevant Selected Participants pursuant to the Scheme Rules. Pursuant to the Scheme Rules, the Scheme shall terminate on the earlier of: (i) the tenth anniversary of the Adoption Date; and (ii) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any Selected Participant under the Scheme.

The Board has reviewed the Company's overall policies and the cost and benefit for maintaining the Share Award Scheme and approved on 25 March 2022 the termination of the Share Award Scheme (the "**Termination**") pursuant to the Scheme Rules.

No further award shall be granted upon the Termination. The Board considers that the Termination will not have any material adverse impact on the Company and is in the best interest of the Company and its Shareholders as a whole. The Board also considers that the Termination will not affect any subsisting rights of any of the selected participants.

As a result of the Termination, the Company had terminated the service agreement with the Trustee and had completed all matters involved in the Termination. As of 31 December 2022, the Trustee did not hold any share of the Company in relation to the Share Award Scheme. For further information in relation to the Termination, please refer to the announcement of the Company dated 25 March 2022.

The movements of unvested share awards since 1 January 2022 to 25 March 2022 were as follows:

Category of grantees	Date of grant	Vesting period under the Scheme	Purchase price per Share (HK$)	Closing price per Share immediately before the date of grant (HK$)	Number of share awards			
					Granted	Unvested as at 1 January 2022	Vested	Unvested as at the date of the Termination (i.e. 25 March 2022)
Employees	16 July 2021	1.5 months	0.459	0.495	6,500,000	–	–	–
Employees	16 July 2021	17.5 months	0.459	0.495	6,500,000	6,500,000	(6,500,000)	–

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme and Share Award Scheme of the Company as described above, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the year ended 31 December 2022 or subsisted at the end of that period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2022, none of the Directors and chief executive of the Company had an interest or short position in the Shares, underlying Shares or debentures of the Company, its group members and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571) of the laws of Hong Kong (the "**SFO**")) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or was required to be recorded pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**").

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES DISCLOSEABLE UNDER THE SFO

As at 31 December 2022, the Shareholders (other than Directors and the chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long Positions in Shares

Name of Shareholder	Capacity/Nature of Interest	Number of Shares held	Approximate percentage of shareholding *(Note 1)*
Phoenix Wealth (Cayman) Asset Management Limited *(Note 2)*	Beneficial owner	569,715,000	74.77%
Phoenix Wealth (Hong Kong) Asset Management Limited *(Note 2 and 3)*	Interest in a controlled corporation	569,715,000	74.77%
Phoenix Wealth Investment (Holdings) Limited *(Note 3 and 4)*	Interest in a controlled corporation	569,715,000	74.77%
Du Li *(Note 4)*	Interest in a controlled corporation	569,715,000	74.77%

Notes:

1. As at 31 December 2022, the Company had 762,000,000 Shares in issue.

2. Phoenix Wealth (Cayman) Asset Management Limited is an exempt company incorporated in the Cayman Islands with limited liability and is wholly-owned by Phoenix Wealth (Hong Kong) Asset Management Limited.

3. Phoenix Wealth (Hong Kong) Asset Management Limited is incorporated in Hong Kong and is wholly-owned by Phoenix Wealth Investment (Holdings) Limited.

4. Phoenix Wealth Investment (Holdings) Limited is incorporated in the British Virgin Islands and is wholly-owned by Mr. Du Li.

Save as disclosed above, as at 31 December 2022, the Company has not been notified by any persons (other than the Directors and chief executives of the Company) who held an interest or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Share Option Scheme", "Share Award Scheme" and "Directors' and Chief Executives' Interests in Shares" above, at the time during the year ended 31 December 2022 and up to the date of this annual report, none of the Directors and chief executives of the Company and their respective close associates (as defined in the Listing Rules) had any interest in, or had been granted or exercised any rights to subscribe for shares or underlying shares of the Company and/or its associated corporations (within the meaning of the SFO).

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules during the year ended 31 December 2022 and up to the date of this annual report and considers all the independent non-executive Directors to be independent.

CORPORATE GOVERNANCE

For details of the compliance of corporate governance standards, please refer to the section headed "CORPORATE GOVERNANCE REPORT" in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

RELATIONSHIPS WITH STAKEHOLDERS

Employees

Talent has always been regarded as one of the most important and precious assets of the Group. The Group is committed to providing talented people with safe and comfortable working environment. The Group has also set up a sound management system, which provides reasonable salary and social welfare to attract and retain outstanding personnel with rich knowledge and experience to join us. In addition, the Group also provides regular training for technical staff. During the year ended 31 December 2022, there were no material labour disputes between the Group and the employees, and the Group has maintained good relations with its employees.

Customers

The Group has maintained long-term and stable business relationships with large and reputable customers, including subsidiaries of China's largest telecom group. The Group has established our business relationship with the subsidiaries of China's largest telecom group for more than 14 years, since 2007. To optimize the quality of its products, the Group constantly collects feedback from its customers. During the year ended 31 December 2022, the Group did not have any material disputes with its customers and has maintained good relationship with them.

Suppliers

The Group procures hardware and installation engineering services from various suppliers to minimize the risk of disruption of our operations. In particular, the Group has maintained over 10 years of business relationship with its largest supplier. During the year ended 31 December 2022, the Group did not have any material disputes with its suppliers and has maintained good relationship with them.

Dividend Policy

1. The Company intends to pay dividends semi-annually to the Shareholders, subject to the capacity of the Company to pay from accumulated and future earnings, liquidity position and future commitments and the dividend policy at the time of declaration of dividends. Save for the aforesaid regular semi-annual dividends, the dividend policy allows the Company to declare special dividends from time to time but no dividends shall exceed the amount recommended by the board of directors.

2. It is the policy of the Board, in recommending dividends, to allow Shareholders to share the profits of the Company and for the Company to retain adequate reserves for the Company's future growth. The capacity of the Company to pay dividends (including but not limited to the above-mentioned semi-annual dividends) will depend upon the Company's current and future operations, liquidity position and capital requirements. The payment of dividend is also subject to any restrictions under the laws of the Cayman Islands, the Articles requirements and applicable laws and regulations. Whilst the dividend policy reflects the current views of the board of directors on the financial and cash-flow position of the Group, such dividend policy will continue to be reviewed from time to time, and there can be no assurance that dividends will be paid in any particular amount for any given period. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial position, contractual restrictions and other factors of and affecting the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Board has overall responsibility for the Group's environmental, social and governance (the "**ESG**") strategy and reporting, and is responsible for the Group's ESG risk management and internal control systems to ensure that the ESG strategies and reporting requirements are met.

The Group's business does not involve any natural resources emissions. However, the Group is committed to implement policies and measures to minimise the Group's operational impact on the environment. During the year ended 31 December 2022, the Group adopted the following policies to improve the environmental quality:

- The use of electricity in office must comply with the principles of power saving, high efficiency and low consumption.

- Lights and electronic appliances in workplace must be turned off when not in use.

- Every member of the staff and management must turn off the power of computers, photocopiers, facsimile machines and other electronic equipment when they are off duty or on leave.

- Adjusting the heat supply system to low settings during the winter period and strictly implementing the rule that "the office air conditioning temperature setting shall not be lower than 26℃ in summer and not higher than 16℃ in winter".

- Strengthening the management of office resources consumption, making full use of e-government functions, reducing the amount of paper printing and promoting the reuse of double-sided papers, envelopes and duplicating papers.

- Improving material utilization and promoting the recycling of waste and renewable resources.

For more details of the Group's ESG policies and performance, please refer to the Group's ESG Report 2022 dated 20 April 2023, which could be downloaded from the Company's corporate website at www.vixtel.com or from the Stock Exchange's HKEXnews webpage at www.hkexnews.hk. If any shareholders wish to receive the ESG report in printed form, please contact the Group's investor relations division at ir@vixtel.com.

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.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors.

RELATED PARTY TRANSACTION

Significant related party transactions entered into by the Group during the year ended 31 December 2022 are disclosed in note 31 to the consolidated financial statements. The related party transactions did not fall within the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

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

AUDITOR

Ernst & Young was appointed by the Directors as the auditor of the Company and there was no change in the auditor of the Company in the past three financial years. The consolidated financial statements of the Group for the year ended 31 December 2022 have been audited by Ernst & Young whose term of office will expire upon the forthcoming AGM. A resolution to re-appoint Ernst & Young as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board
Shi Zhimin
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 28 March 2023

* *For identification purpose only*

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.

CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company since the publication of the 2022 interim report of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Mr. Yeung was appointed as an independent non-executive director of Buyang International Holding Inc in October 2020, the shares of which have been listed on the Main Board of the Stock Exchange (stock code: 2457) since November 2022.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the Model Code 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.

BOARD OF DIRECTORS

Composition of the Board of Directors

Up to the date of this annual report, the Board comprises three executive Directors and three independent non-executive Directors, details of which are set out below:

Executive Directors

Mr. Shi Zhimin *(Chief Executive Officer and Chairman) (appointed on 16 March 2022)*
Mr. Sie Tak Kwan *(resigned on 1 June 2022)*
Mr. Yue Yong *(resigned on 7 April 2022)*

Non-executive Director

Mr. Guan Haiqing *(redesignated from Executive Director on 1 June 2022)*
Mr. Liang Judong *(resigned on 7 April 2022)*

Independent non-executive Directors

Mr. Yeung Man Simon *(appointed on 7 April 2022)*
Mr. Hu Jianjun *(appointed on 7 April 2022)*
Ms. Ru Tingting *(appointed on 7 April 2022)*
Mr. Cheung Hon Fai *(resigned on 7 April 2022)*
Professor Lam Kin Man *(resigned on 7 April 2022)*
Mr. Shen Qi *(resigned on 7 April 2022)*

No Board member has any relationship with the other Board members, the chief executive officer and senior management of the Company.

The biographic details of each of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" from pages 19 to 21 of this annual report.

Functions of the Board

The primary duty of the Board is to ensure the viability of the Company and to ensure that it is managed in the best interests of the Shareholders while taking into account the interests of other stakeholders. Apart from its statutory responsibilities, the Board also considers and approves the overall business plans and strategies of the Group, develops and implements the corporate governance functions in accordance with the code provision A.2.1 to the CG Code, monitors the implementation of these policies and strategies and the management of the Company and to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report. Daily business operations and administrative functions of the Group are delegated to the executive Directors and the senior management of the Company.

The Board's responsibilities also include: (i) to develop and review of the Company's policies and practices on corporate governance; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitoring of the code of conduct and compliance guidance applicable to employees and Directors; and (v) review of the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Board Meetings, General Meetings and Attendance Record of Directors

The code provision C.5.1 of the CG Code states that at least four regular Board meetings should be held each year at approximately quarterly intervals with active participation of a majority of Directors, either in person or through other electronic means of communication.

During the year ended 31 December 2022, the Company has convened four Board meetings and has convened one general meeting. The individual attendance records of each Director at the general meeting and the meetings of the Board are set out below:

	Number of Attendance of the general meeting/ Number of the general meeting	**Number of Attendance of Board meetings/ Number of Board meetings**
Executive Directors		
Mr. Shi Zhimin *(appointed on 16 March 2022)*	1/1	4/4
Mr. Sie Tak Kwan *(resigned on 1 June 2022)*	1/1	3/4
Mr. Yue Yong *(resigned on 7 April 2022)*	N/A	2/4
Non-executive Director		
Mr. Guan Haiqing *(redesignated from Executive Director on 1 June 2022)*	1/1	4/4
Mr. Liang Judong *(resigned on 7 April 2022)*	N/A	2/4

	Number of Attendance of the general meeting/ Number of the general meeting	Number of Attendance of Board meetings/ Number of Board meetings
Independent non-executive Directors		
Mr. Yeung Man Simon *(appointed on 7 April 2022)*	1/1	2/4
Mr. Hu Jianjun *(appointed on 7 April 2022)*	1/1	2/4
Ms. Ru Tingting *(appointed on 7 April 2022)*	1/1	2/4
Mr. Cheung Hon Fai *(resigned on 7 April 2022)*	N/A	2/4
Professor Lam Kin Man *(resigned on 7 April 2022)*	N/A	2/4
Mr. Shen Qi *(resigned on 7 April 2022)*	N/A	2/4

Directors' Appointment, Re-election and Removal

During the year ended 31 December 2022, among the executive Directors, each of Mr. Guan Haiqing, Mr. Sie Tak Kwan and Mr. Yue Yong has entered into a service agreement with the Company on 21 November 2019 for a term of three years commencing from 15 December 2019, which may be terminated by not less than three months' notice in writing served by either party on the other expiring at the end of the initial term or any time thereafter. Mr. Yue Yong resigned as an executive Director with effect from 7 April 2022. Mr. Sie Tak Kwan resigned as an executive Director with effect from 1 June 2022. Mr. Guan Haiqing was redesignated from an executive Director to a non-executive Director on 1 June 2022.

Mr. Shi Zhimin has entered into a service contract with the Company for a term of three years commencing from 16 March 2022, which may be terminated by not less than three months' notice in writing served by either party on the other.

During the year ended 31 December 2021, the non-executive Director, Mr. Liang Judong, and each of the independent non-executive Directors, namely Mr. Cheung Hon Fai, Professor Lam Kin Man and Mr. Shen Qi, has entered into a letter of appointment with the Company on 21 November 2019 for a term of three years commencing from 15 December 2019, which may be terminated by not less than three months' notice in writing served by either party on the other expiring at the end of the initial term or any time thereafter. Mr. Liang Judong has resigned as non-executive Director with effect from 7 April 2022 and Mr. Cheung Hon Fai, Professor Lam Kin Man and Mr. Shen Qi have resigned as independent non- executive Directors with effect from 7 April 2022.

As at the date of this annual report, the non-executive Director, Mr. Guan Haiqing, has entered into a letter of appointment with the Company for a term of three years commencing from 1 June 2022, which may be terminated by not less than two months' notice in writing served by either party on the other.

As at the date of this annual report, each of the independent non-executive Directors, namely Mr. Yeung Man Simon, Mr. Hu Jianjun and Ms. Ru Tingting, has entered into a letter of appointment with the Company on 7 April 2022 for a term of three years commencing from 7 April 2022, which may be terminated by not less than two months' notice in writing served by either party on the other.

Pursuant to the Articles, the Directors shall hold office subject to retirement by rotation at the annual general meetings of the Company at least once every three years. Therefore, Mr. Shi Zhimin and Mr. Yeung Man Simon will retire from office by rotation and, being eligible, shall offer themselves for re-election at the forthcoming AGM.

Independent non-executive Directors

During the year ended 31 December 2022 and up to the date of this annual report, the Company at all times has three independent non-executive Directors to comply with Rule 3.10(1) of the Listing Rules. Furthermore, Mr. Cheung Hon Fai and Mr. Yeung Man Simon have appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules during the period ended 31 December 2022 and up to the date of this annual report, respectively. In accordance with Rule 3.13 of the Listing Rules, the Company has received from each of its independent non-executive Directors during the year ended 31 December 2022 and up to the date of this annual report the written confirmation of his/her independence. The Company, based on such confirmations, considers Mr. Cheung Hon Fai, Professor Lam Kin Man, Mr. Shen Qi, Mr. Yeung Man Simon, Mr. Hu Jianjun and Ms. Ru Tingting to be independent.

Chairman and Chief Executive Officer

According to the code provision C.2.1 of the CG Code, the roles of chairman and chief executive shall be separate and should not be performed by the same individual. During the period from 1 January 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, the code provision C.2.1 of the CG Code was therefore complied with.

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, such practice deviates from code provision C.2.1 of the CG Code. Notwithstanding the deviation from code provision C.2.1 of the CG Code, given that the Company has set out clearly in writing the respective responsibilities for the Chief Executive Officer and the Chairman, and Mr. Shi 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 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.

Company Secretary

Mr. Chan Ngai Chi has been appointed as the company secretary of the Company (the "**Company Secretary**") on 1 June 2022. Mr. Chan is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and also a CFA Charterholder. During the year ended 31 December 2022, Mr. Chan has taken not less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

Training for Directors and Continuing Professional Development

Each of the Directors should keep abreast of the responsibilities as a Director and of the conduct, business activities and developments of the Company.

According to the code provision C.1.4 of the CG Code, all directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. For the year ended 31 December 2022, all Directors namely, Mr. Shi Zhimin, Mr. Guan Haiqing, Mr. Yeung Man Simon, Mr. Hu Jianjun and Ms. Ru Tingting have participated in the training regarding director responsibilities and duties to ensure that he/she has appropriate understanding of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements. There are also arrangements in place for providing continuing briefing and professional development to Directors where necessary.

Upon appointing a new Director, each new Director receives an induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

Directors' and Officers' Liabilities

The Company has arranged appropriate insurance to cover the liabilities in respect of legal action against the Directors and officers of the Company that may arise out of the corporate activities. The insurance coverage is reviewed on an annual basis.

BOARD COMMITTEES

The Board established three committees, namely the audit, remuneration and nomination committees, to oversee particular aspects of the Group's affairs. Each of the three committees has its specific terms of reference relating to authority and duties.

All members of the audit committee and the majority of members of the remuneration and nomination committees are independent non-executive Directors.

The Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, they are able to seek independent professional advice in appropriate circumstances at the Company's expense. The Board committees will report back to the Board on their decisions or recommendations.

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 Audit Committee had reviewed the Group's financial results for the six months ended 30 June 2022 and for the year ended 31 December 2022 with the management and is of the view that such results complied with the applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

The main duties of the Audit Committee include the following:

(a) to assist the Board by providing an independent view on the effectiveness of the financial reporting process, internal control and risk management system of the Group;

(b) to review the financial information and disclosures;

(c) to oversee the audit process, financial reporting system, risk management and internal controls procedures; and

(d) to perform other duties and responsibilities as assigned by the Board.

The Audit Committee is required to meet at least twice a year. During the year ended 31 December 2022, two Audit Committee meetings were held.

Details of the attendance of the members of the Audit Committee are set out below:

	Number of Attendance of meetings/Number of meetings
Mr. Yeung Man Simon *(Chairman) (appointed on 7 April 2022)*	1/2
Mr. Hu Jianjun *(appointed on 7 April 2022)*	1/2
Ms. Ru Tingting *(appointed on 7 April 2022)*	1/2
Mr. Cheung Hon Fai *(Chairman) (resigned on 7 April 2022)*	1/2
Professor Lam Kin Man *(resigned on 7 April 2022)*	1/2
Mr. Shen Qi *(resigned on 7 April 2022)*	1/2

Minutes of the Audit Committee meetings are kept by the Company Secretary. The draft and final version of the minutes of the meeting are sent to all committee members for comments and records respectively within a reasonable time after the meeting. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Sufficient resources are provided by the Company for the Audit Committee to perform its duties.

Remuneration Committee

The remuneration committee of the Company (the "**Remuneration Committee**") was established by the Board 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 the code provisions of the CG Code. During the period from 1 January to 7 April 2022, the Remuneration Committee comprised three independent non-executive Directors, namely Professor Lam Kin Man, Mr. Cheung Hon Fai and Mr. Shen Qi, and one executive Director, namely Mr. Sie Tak Kwan. The chairman of the Remuneration Committee was Professor Lam Kin Man.

Professor Lam Kin Man resigned as an independent non-executive Director on 7 April 2022 and he ceased to be the chairman of the Remuneration Committee with effect from 7 April 2022 accordingly. Mr. Cheung Hon Fai 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 Remuneration Committee with effect from 7 April 2022 accordingly. Mr. Sie Tak Kwan, an executive Director, resigned as a member of the Remuneration Committee with effect from 7 April 2022.

Mr. Hu Jianjun was appointed as an independent non-executive Director on 7 April 2022 and he was also appointed as the chairman of the Remuneration Committee with effect from 7 April 2022. Mr. Yeung Man Simon and Ms. Ru Tingting were appointed as independent non-executive Directors on 7 April 2022 and both of them were also appointed as a member of the Remuneration Committee with effect from 7 April 2022. Mr. Shi Zhimin, an executive Director, was appointed as a member of the Remuneration Committee with effect from 7 April 2022.

The main duties of the Remuneration Committee include the following:

(a) to review and make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group;

(b) to review and make recommendations to the Board on the establishment of a formal and transparent procedure for developing policy in relation to remuneration;

(c) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(d) to consider and approve the grant of share options to eligible participants pursuant to the share option scheme;

(e) to evaluate the performance of the executive Directors and approve the terms of the executive Director's service contract; and

(f) to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

The Remuneration Committee is required to meet at least once a year. During the year ended 31 December 2022, one Remuneration Committee meeting was held. Details of the attendance of the members of the Remuneration Committee are set out below:

	Number of Attendance of meetings/Number of meetings
Mr. Hu Jianjun (*Chairman) (appointed on 7 April 2022*)	N/A
Mr. Shi Zhimin (*appointed as a member of the Remuneration Committee on 7 April 2022*)	N/A
Mr. Yeung Man Simon (*appointed on 7 April 2022*)	N/A
Ms. Ru Tingting (*appointed on 7 April 2022*)	N/A
Professor Lam Kin Man (*Chairman*) (*resigned on 7 April 2022*)	1/1
Mr. Cheung Hon Fai (*resigned on 7 April 2022*)	1/1
Mr. Shen Qi (*resigned on 7 April 2022*)	1/1
Mr. Sie Tak Kwan (*resigned as a member of the Remuneration Committee on 7 April 2022*)	1/1

Nomination Committee

The nomination committee of the Company (the "**Nomination 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 the Listing Rules and the CG Code. During the period from 1 January to 7 April 2022, the Nomination Committee comprised three independent non- executive Directors, namely Mr. Cheung Hon Fai, Professor Lam Kin Man and Mr. Shen Qi and one executive Director, namely Mr. Sie Tak Kwan. The chairman of the Nomination Committee was Mr. Cheung Hon Fai.

Mr. Cheung Hon Fai resigned as an independent non-executive Director on 7 April 2022 and he ceased to be the chairman of the Nomination 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 Nomination Committee with effect from 7 April 2022 accordingly. Mr. Sie Tak Kwan, an executive Director, resigned as a member of the Nomination Committee with effect from 7 April 2022.

Ms. Ru Tingting was appointed as an independent non-executive Director on 7 April 2022 and she was also appointed as the chairlady of the Nomination Committee with effect from 7 April 2022. Mr. Yeung Man Simon and Mr. Hu Jianjun were appointed as independent non-executive Directors on 7 April 2022 and both of them were also appointed as a member of the Nomination Committee with effect from 7 April 2022. Mr. Shi Zhimin, an executive Director, was appointed as a member of the Nomination Committee with effect from 7 April 2022.

The main duties of the Nomination Committee include the following:

(a) to review the structure, size and composition of the Board annually;

(b) to identify individuals suitably qualified to become Board members;

(c) to assess the independence of independent non-executive Directors; and

(d) to make recommendations to the Board on the relevant matters relating to the appointment or re-appointment of Directors.

The Nomination Committee is required to meet at least once a year. During the year ended 31 December 2022, one Nomination Committee meeting was held. Details of the attendance of the members of the Nomination Committee are set out below:

	Number of Attendance of meetings/ Number of meetings
Ms. Ru Tingting (*Chairlady*) (*appointed on 7 April 2022*)	N/A
Mr. Shi Zhimin (*appointed as a member of the Nomination Committee on 7 April 2022 2022*)	N/A
Mr. Yeung Man Simon (*appointed on 7 April 2022*)	N/A
Mr. Hu Jianjun (*appointed on 7 April 2022*)	N/A
Mr. Cheung Hon Fai (*Chairman*) (*resigned on 7 April 2022*)	1/1
Professor Lam Kin Man (*resigned on 7 April 2022*)	1/1
Mr. Shen Qi (*resigned on 7 April 2022*)	1/1
Mr. Sie Tak Kwan (*resigned as a member of the Nomination Committee on 7 April 2022*)	1/1

DIVERSITY IN BOARD AND WORKFORCE

Board Level

The Company adopted a board diversity policy and aims to achieve diversity on the Board through the consideration of a number of aspects, including but not limited to gender, age, cultural and ethnic background, professional qualification, skills, knowledge and length of service.

The Nomination Committee will review the board diversity policy as appropriate, to ensure the effectiveness of the board diversity policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Board currently has one female Director out of five Directors, and is committed to improving gender diversity as and when suitable candidates are identified. During the year ended 31 December 2022 and up to the date of this annual report, our Directors are from diverse and complementary backgrounds. Their valuable experience and expertise are critical for the long-term growth of the Company. The Board's composition under diversified perspectives is summarized as follows:

Name		**Shi Zhimin**	**Guan Haiqing**	**Yeung Man Simon**	**Hu Jianjun**	**Ru Tingting**
Gender		Male	Male	Male	Male	Female
Age		41 *(Note 1)*	48 *(Note 3)*	51 *(Note 2)*	43 *(Note2)*	48 *(Note 2)*
Academic Background		Bachelor's Degree in Business Administration	Bachelor of Automation	Bachelor of Business Administration	Bachelor's degree in management/ Master's degree in economics	Bachelor of Laws/ Master of Laws
Skills, knowledge & professional experience	(a) Accounting & Finance			√	√	√
	(b) Corporate Responsibility/ Sustainability	√	√	√		√
	(c) Executive management and leadership skills	√	√		√	
	(d) Financial Service			√	√	√
	(e) Human Resources			√	√	√
	(f) Information Technology	√	√		√	
	(g) Investor Relations	√			√	
	(h) Legal			√		√
	(i) Risk Management	√			√	
	(j) Strategic Planning	√			√	
	(k) Marketing	√				

Notes:

(1) Mr. Shi Zhimin was appointed as executive Director with effect from 16 March 2022.

(2) Mr. Yeung Man Simon, Mr. Hu Jianjun and Ms. Ru Tingting were appointed as independent non-executive Director with effect from 7 April 2022.

(3) Mr. Guan Haiqing was redesignated as a non-executive Director with effect from 1 June 2022.

The Nomination Committee reviewed the composition of the Board under diversified perspectives and monitored the implementation of the Board Diversity Policy and considered that the said policy is effective. According to the Board Diversity Policy, selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. These factors are the measurable objectives for implementing the Board Diversity Policy.

Workforce level

As at 31 December 2022, the Group maintained an approximately 2:8 ratio of female to male in the workplace. Notwithstanding the common phenomenon that male outnumber female in the hi-tech industry, the Company is committed to attract a diverse workforce (including but not limited to gender, age, cultural and educational background, skills, knowledge and experience) and to create a fair and supportive workplace for the employers, to build a strong pipeline of diverse female talent to ensure a gender balance in future workforce.

The Company expects the above is achievable with suitable effort in promoting the gender diversity culture, which the Group has been advocating for so.

Nomination Policy

1 Objective

1.1 The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to Shareholders for election as the Directors at general meetings or appoint as Directors to fill casual vacancies.

1.2 The Nomination Committee may, as it considers appropriate, nominate a number of candidates more than the number of Directors to be appointed or re-appointed at a general meeting, or the number of casual vacancies to be filled.

2 Selection Criteria

2.1 The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate.

- Reputation for integrity;
- Accomplishment and experience;
- Commitment in respect of available time and relevant interest;
- Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service; and
- In the case of independent non-executive Directors, the independence of the candidate.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

2.2 Subject to the provisions of the Articles, retiring Directors are eligible for nomination by the Board to stand for re-election at a general meeting.

2.3 Proposed candidates will be asked to submit the necessary personal information in a prescribed form, together with their written consent to be appointed as a Director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a Director.

2.4 The Nomination Committee may request candidates to provide additional information and documents, if considered necessary.

3 Nomination Procedures

3.1 The secretary of the Nomination Committee shall call a meeting of the Nomination Committee, and invite nominations of candidates from the Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by the Board members.

3.2 For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

3.3 Until the issue of the Shareholders circular, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.

3.4 In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, and to invite nominations from Shareholders, a circular will be sent to the Shareholders. The circular will set out the lodgment period for Shareholders to make the nominations. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to Shareholders.

3.5 A Shareholder can serve a notice to the Company Secretary within the lodgment period of its intention to propose a resolution to elect a certain person as a Director, without the Board's recommendation or the Nomination Committee's nomination, other than those candidates set out in the shareholder circular. The particulars of the candidates so proposed will be sent to all Shareholders for information by a supplementary circular.

3.6 A candidate is allowed to withdraw his candidature at any time before the general meeting by serving a notice in writing to the Company Secretary.

3.7 The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

4 Confidentiality

4.1 Unless required by law or any regulatory authority, under no circumstances shall a member of the Nomination Committee or a staff member of the Company disclose any information to or entertain any enquiries from the public with regard to any nomination or candidature before the circular to Shareholders, as the case may be, is issued. Following the issue of the circular, the Nomination Committee or Company Secretary or other staff member of the Company approved by the Nomination Committee may answer enquiries from the regulatory authorities or the public but confidential information regarding nominations and candidates should not be disclosed.

Emolument policy for Directors and Senior Management

Particulars of the Directors' remuneration for the year ended 31 December 2022 are set out in note 8 to the consolidated financial statements of this annual report.

The Remuneration Committee of the Company was set up for reviewing and determining the Group's emolument policy and structure for all remuneration of the Directors and senior management based on the Group's operating results, individual performance and comparable market practices.

Pursuant to the code provision E.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report for the year ended 31 December 2022 by band is as follows:

Remuneration Band (in HK$)	Number of individuals
500,001 to 1,000,000	1
1,000,001 to 1,500,000	1
1,500,001 to 2,000,000	2

ACCOUNTABILITY AND AUDIT

Auditors' Remuneration

The remuneration paid or payable to the Company's auditor, Ernst & Young, in respect of their audit services and non-auditing services for the year ended 31 December 2022 is set out below:

Items of auditor's services	Amount
	RMB'000
Annual audit service	1,200
Total	1,200

Directors' and auditor's responsibilities for the consolidated financial statements

All Directors acknowledge their responsibilities to prepare the Group's consolidated financial statements for each financial year to give a true and fair view of the financial position of the Group and of its financial performance and cash flows for the year ended 31 December 2022. In preparing the consolidated financial statements for the year ended 31 December 2022, the Board has selected suitable accounting policies and applied them consistently, made and prepared the consolidated financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

As at 31 December 2022, the Board was not aware of any material misstatement or uncertainties that might be relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of auditor regarding their reporting responsibility for the financial statements is set out in the section headed "Independent Auditor's Report" on pages 54 to 60 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for and has conducted an annual review of the effectiveness of the Group's risk management and internal control systems during the year ended 31 December 2022. The risk management process includes risk identification, risk evaluation, risk management and risk control and review. It should be acknowledged that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The management of the Company is entrusted with duties to identify, analyze, evaluate, respond, monitor and communicate risks associated with any activity, function or process within its scope of responsibility and authority.

The Group has conducted an annual review of the implemented system and procedures, including areas covering financial, operational, legal compliance controls and risk management functions during the year ended 31 December 2022. The systems are implemented to minimize the risk to which the Group is exposed and is used as a management tool for the day-to day operation of business. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Group does not have an internal audit function as the Board has reviewed the effectiveness of the internal control system of the Company and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. The situation will be reviewed from time to time.

The Group has engaged a qualified external consulting firm to conduct independent internal control review for the year ended 31 December 2022 and the review was completed as at the date of this annual report.

For the year ended 31 December 2022, the Board considered the Group's internal control system as adequate and effective and that the Company has complied with the code provisions on internal control of the CG Code.

Disclosure of inside information

The Group acknowledges its responsibilities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) and the Listing Rules that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and disseminating inside information are as follows:

- the Group conducts its affairs with strict compliance with the disclosure requirement under the Listing Rules and the "Guideline on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong;

- the Group has implemented its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcement and its website; and

- the Group has strictly prohibited any unauthorized use of confidential or inside information.

INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION POLICY

The Company is committed to maintain an open and effective investor relations policy and to update investors on relevant information and developments in a timely manner, subject to relevant regulatory requirements. The Company uses a range of formal communications channel, such as the annual general meeting; the publication of interim and annual reports, notices, announcements and circulars, to update Shareholders and investors with the latest business development and financial performance of the Group. The corporate website of the Company at www.vixtel.com provides a communication platform through which the public and investor community can access up-to-date information regarding the Company.

Shareholders may at any time send their enquiries and concerns to the Board in writing. Contact details are as follows:

Address:	40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong
Tel:	+86 10 6298 2318
Fax:	+86 10 6298 1015
Email:	ir@vixtel.com

Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant Board committees of the Company, where appropriate, to answer the Shareholders' questions.

The Company has established a Shareholders Communication Policy to set out the Company's procedures in providing the Shareholders and the investment community with ready, equal and timely access to balanced and understandable information about the Company, in order to enable the Shareholders to exercise their rights in an informed manner and to allow the Shareholders and the investment community to engage actively with the Company. During the Year, the website of the Company was updated on a regular basis in order to maintain an effective ongoing communication with Shareholders. Shareholders could access the latest information and the information released by the Company through the company website. Shareholders were given the face-to-face opportunities to meet and communicate with the Directors and to raise questions, comments and exchange their views with the Board in the annual general meeting and other general meetings. In light of the above, the, the Board considers that the Company's shareholders' communication policy conducted during the year ended 31 December 2022 was open and effective.

SHAREHOLDER RIGHTS

Right to convene extraordinary general meeting

Pursuant to the Articles, any Shareholder(s) holding at the date of the deposit of the requisition not less than one- tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right to submit a written requisition requiring an extraordinary general meeting to be called by the Board. The written requisition (i) must state the purpose(s) of the extraordinary general meeting, and (ii) must be signed by the requisitionist(s) and deposited at the registered office of the Company for attention of the Company Secretary, and may consist of several documents in like form, each signed by one or more requisitionist(s). Such requisitions will be verified with the Company's branch share registrar in Hong

Kong and upon their confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to convene an extraordinary general meeting by serving sufficient notice to all Shareholders. On the contrary, if the requisition has been verified as not in order, the requisitionist(s) will be advised of this outcome and accordingly, the extraordinary general meeting will not be convened as requested.

If the Board does not within 21 days from the date of the deposit of the requisition proceed duly to convene the extraordinary general meeting, the requisitionist(s) or any of them representing more than one-half of the total voting rights of all of them may convene an extraordinary general meeting, but any extraordinary general meeting so convened shall not be held after expiration of two months from the said date of deposit of the requisition. An extraordinary general meeting convened by the requisitionist(s) shall be convened in the same manner, as nearly as possible, as that in any extraordinary general meeting to be convened by the Board.

Right to put forward proposals at general meeting

To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her proposal with his/her detailed contact information at the Company's principal place of business in Hong Kong.

The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the proposal in the agenda for the general meeting.

Right to make enquiries to the Board

Shareholders may send their enquiries and concerns, in written form, to the Board by addressing them to the Company Secretary at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong. Shareholders may also make enquiries to the Board at the general meeting of the Company. In addition, Shareholders can contact Tricor Investor Services Limited, the branch share registrar of the Company in Hong Kong, if they have any enquiries about their shareholdings and entitlements to dividend.

CONSTITUTIONAL DOCUMENTS

The Board has passed a resolution on 15 March 2019 to propose amendments to the Articles to (i) reflect the corresponding changes after the transfer of listing of its shares from GEM to the Main Board on 29 November 2018; and (ii) delete the requirement for the Company to seek its Shareholders' approval prior to the declaration of dividends out of the share premium account.

The amended and restated Articles was adopted by a special resolution was passed on 17 May 2019.

There has been no significant change in the Company's constitutional documents during the year ended 31 December 2022.

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To the shareholders of Vixtel Technologies Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Vixtel Technologies Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 61 to 139, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

KEY AUDIT MATTERS (continued)

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters	How our audit addressed the key audit matters
Revenue recognition	
Revenue from integrated application performance management ("APM") system solutions and software development service contracts is recognised over time based on the progress towards complete satisfaction of the services, and therefore requires management judgements and estimates. The progress of completion is measured using an input method by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract. Contract costs incurred comprise direct material costs, the costs of subcontracting, direct labour costs and an appropriate proportion of variable and fixed overheads. Revenue arising from contracts for integrated APM system solutions and software development services accounted for approximately 70% of the Group's total revenue. The contract assets derived from these revenue contracts accounted for approximately 31% of the Group's total assets as at 31 December 2022. Significant management judgements are involved in the estimation of the total contract cost including the assessment of the remaining contingencies that a project is or could be facing until completion. Relevant disclosures are made in note 2.4 "Summary of significant accounting policies", note 3 "Significant accounting judgements and estimates", note 5 "Revenue, other income and gains" and note 19 "Contract assets" to the financial statements.	Our audit procedures included, among others, the following: – Testing the controls designed and implemented by the Group over its process to record contract revenue, contract costs and the calculation of the progress; – Evaluating the significant estimates made by management by examining project documentation including the project budget together with related supporting documents such as quotations from suppliers and subcontractors, planned labour resource allocation and discussing the status of selected projects with management, finance staff and technical staff of the Group; – Assessing the reliability of management's estimates by comparing the gross profit margin with previously completed projects which were of similar nature; – Discussing the rationality of any modification of estimated contract costs with management and checking the related documents such as new quotations from suppliers and the change requests approved by management; – Performing tests of details on costs incurred, including checking invoices and timesheets to ensure that the costs were directly attributable to the contracts tested; – Performing confirmation procedures for the invoiced contract amount and the total contract amount; – Performing substantive analytical procedures; and – Performing cut-off procedures at the period-end date to determine whether transactions were recorded in the proper period and in the proper accounts.

KEY AUDIT MATTERS (continued)

Key audit matters	How our audit addressed the key audit matters
Collectability of trade receivables and contract assets	
Trade receivables and contract assets accounted for approximately 8% and 31% of total assets in the consolidated statement of financial position as at 31 December 2022, respectively. The Group adopted a forward-looking model for the assessment of expected credit losses provision for trade receivables and contract assets. The loss rates are based on groupings of various customer segments with similar loss patterns. This involves judgements as the expected credit losses reflect information about past events, current conditions and forecasts of future conditions, as well as the time value of money. Due to the significance of trade receivables and contract assets, and the related estimation uncertainty, this is considered a key audit matter. Relevant disclosures are made in note 3 "Significant accounting judgements and estimates", note 17 "Trade and bills receivables", and note 19 "Contract assets" to the financial statements.	Our audit procedures included, among others, the following: – Testing on a sampling basis the grouping of trade receivables and contract assets at the end of the year; – Test checking receipts after the year-end to determine any remaining exposure as at 31 December 2022; – Assessing whether the expected credit losses were determined in accordance with HKFRS 9; – Evaluating the loss-rate statistics of the trade receivables and contract assets by checking to published credit ratings of customers by credit agents; – Evaluating the forward-looking data used in the impairment models by considering the customers' expected payment patterns along with macroeconomic information; – Assessing whether the time value of money was considered in the expected credit loss impairment model and checking the mathematical accuracy of the calculations; and – Assessing the adequacy of the Group's disclosures in relation to expected credit loss provision for trade receivables and contract assets included in the financial statements.

KEY AUDIT MATTERS (continued)

Key audit matters	How our audit addressed the key audit matters
Capitalisation of development costs	
The Group had deferred development costs of RMB10,169,000 as at 31 December 2022, which are material to the consolidated financial statements. The specific criteria that need to be met for the capitalisation of development costs involve significant management judgements and estimates, such as technical feasibility, the intention and ability to complete the development, the ability to use or sell the assets, the ability to generate future economic benefits and the ability to measure the costs reliably. Relevant disclosures are made in note 2.4 "Summary of significant accounting policies", note 3 "Significant accounting judgements and estimates", and note 15 "Other intangible assets" to the financial statements.	Our audit procedures included, among others, the following: – Testing the controls designed and implemented by the Group over its process to capitalise development costs; – Evaluating the nature of development costs incurred that were capitalised into intangible assets; – Assessing the reasonableness of the capitalisation by reviewing the related documents such as the project plan, the feasibility report, market analysis report and approval from management; – Discussing the key assumptions used and estimates made in the capitalisation of development costs with management; and – Considering whether the capitalised projects could generate future economic benefits by examining the relevant sales contracts signed with the customers and the estimated contract costs.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

The engagement partner on the audit resulting in this independent auditor's report is TJEN, Michael.

Certified Public Accountants
Hong Kong
28 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	*5*	**103,767**	99,120
Cost of sales		**(55,715)**	(44,309)
Gross profit		**48,052**	54,811
Other income and gains	*5*	**12,677**	5,368
Selling and distribution expenses		**(14,224)**	(15,069)
Research and development costs	*6*	**(36,592)**	(23,974)
Administrative expenses		**(24,310)**	(16,822)
Impairment losses on financial and contract assets, net	*6*	**(243)**	(657)
Other expenses		**(16)**	(199)
Finance costs	*7*	**(357)**	(474)
(LOSS)/PROFIT BEFORE TAX	*6*	**(15,013)**	2,984
Income tax credit	*10*	**888**	497
(LOSS)/PROFIT FOR THE YEAR		**(14,125)**	3,481
OTHER COMPREHENSIVE INCOME		**–**	–
TOTAL COMPREHENSIVE 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	*12*		
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	13	789	552
Right-of-use assets	14	2,919	1,864
Other intangible assets	15	10,169	14,626
Contract assets	19	1,998	3,036
Long term deposits	18	45	276
Restricted cash	20	129	–
Total non-current assets		16,049	20,354
CURRENT ASSETS			
Inventories	16	4,531	3,384
Trade and bills receivables	17	25,862	25,593
Contract assets	19	99,342	92,374
Prepayments, other receivables and other assets	18	7,889	8,436
Pledged time deposits	20	4,200	6,100
Restricted cash	20	133	–
Cash and cash equivalents	20	171,366	64,061
Total current assets		313,323	199,948
CURRENT LIABILITIES			
Trade and bills payables	21	2,687	2,111
Other payables and accruals	22	23,933	20,173
Interest-bearing bank borrowings	23	10,000	10,000
Lease liabilities	14	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 RMB'000**	2021 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*24*	**689**	2,058
Other payables and accruals	*22*	**30**	119
Lease liabilities	*14*	**1,159**	72
Total non-current liabilities		**1,878**	2,249
Net assets		**289,375**	183,655
EQUITY			
Share capital	*25*	**6,686**	4,514
Treasury shares	*26*	**–**	(2,509)
Reserves	*27*	**283,088**	179,853
		289,774	181,858
Non-controlling interests		**(399)**	1,797
Total equity		**289,375**	183,655

Shi Zhimin
Director

Yeung Man Simon
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Attributable to owners of the parent									
	Share capital RMB'000 (note 25)	Treasury shares RMB'000 (note 26)	Share award reserve RMB'000 (note 27(c))	Share premium RMB'000 (note 27(d))	Capital reserve RMB'000 (note 27(a))	Statutory surplus reserve RMB'000 (note 27(b))	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At 1 January 2021	4,514	–	–	76,581	30,621	12,758	55,153	179,627	1,048	180,675
Profit for the year	–	–	–	–	–	–	3,643	3,643	(162)	3,481
Total comprehensive income for the year	–	–	–	–	–	–	3,643	3,643	(162)	3,481
Shares repurchased for the share award scheme	–	(5,018)	–	–	–	–	–	(5,018)	–	(5,018)
Equity settled share award scheme	–	2,509	1,008	–	–	–	–	3,517	–	3,517
Transfer from retained profits	–	–	–	–	–	1,135	(1,135)	–	–	–
Capital contribution from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	1,000	1,000
Deemed disposal of interest to non-controlling interest	–	–	–	–	89	–	–	89	(89)	–
At 31 December 2021 and 1 January 2022	4,514	(2,509)	1,008*	76,581*	30,710*	13,893*	57,661*	181,858	1,797	183,655
Profit for the year	–	–	–	–	–	–	(11,929)	(11,929)	(2,196)	(14,125)
Total comprehensive loss for the year	–	–	–	–	–	–	(11,929)	(11,929)	(2,196)	(14,125)
Issue of shares	2,172	–	–	117,279	–	–	–	119,451	–	119,451
Share issue expenses	–	–	–	(1,448)	–	–	–	(1,448)	–	(1,448)
Equity settled share award scheme	–	2,509	(1,008)	341	–	–	–	1,842	–	1,842
At 31 December 2022	6,686	–	-*	192,753*	30,710*	13,893*	45,732*	289,774	(399)	289,375

* These reserve accounts comprise the consolidated reserves of RMB283,088,000 (2021: RMB179,853,000) in the consolidated statement of financial position.

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before tax		**(15,013)**	2,984
Adjustments for:			
Finance costs	*7*	**357**	474
Bank Interest income	*5*	**(821)**	(209)
Interest income arising from revenue contracts	*5*	**(62)**	(56)
Depreciation of property and equipment	*13*	**429**	327
Depreciation of right-of-use assets	*14*	**1,650**	1,819
Amortisation of other intangible assets	*15*	**4,457**	3,524
Impairment of trade receivables, net	*6*	**215**	603
Impairment of contract assets, net	*6*	**28**	54
Investment income from financial assets at fair value through profit or loss	*6*	**(580)**	(969)
Net foreign exchange differences	*6*	**(7,068)**	154
Equity-settled share award expense	*6*	**1,843**	3,517
		(14,565)	12,222
Increase in inventories		**(1,147)**	(2,031)
Increase in contract assets		**(6,082)**	(4,188)
Increase in trade and bill receivables		**(297)**	(9,505)
Decrease/(increase) in prepayments, other receivables and other assets		**822**	(4,681)
Increase/(decrease) in trade and bills payables		**576**	(3,146)
Decrease/(increase) in pledged deposit for bills payable		**600**	(600)
Increase in restricted cash for guarantee		**(262)**	–
Increase in other payables and accruals		**3,671**	404
Cash used in operations		**(16,684)**	(11,525)
Interest received		**821**	209
Income tax paid		**(877)**	(416)
Net cash flows used in operating activities		**(16,740)**	(11,732)

continued/..

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property and equipment		**(666)**	(448)
Additions to other intangible assets		**–**	(5,350)
Purchases of financial assets at fair value through profit or loss		**(256,000)**	(440,160)
Receipt of financial assets at fair value through profit or loss		**256,580**	441,129
Net cash flows used in investing activities		**(86)**	(4,829)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	*25*	**119,450**	–
Share issue expenses	*25*	**(1,448)**	–
New bank loans	*23*	**10,000**	10,000
Repayment of bank loans	*23*	**(10,000)**	(10,000)
Interest paid		**(357)**	(474)
Capital contribution from non-controlling shareholders		**–**	1,000
Increase in pledged deposit for a short-term bank loan		**(4,200)**	(5,500)
Decrease in pledged deposit for a short-term bank loan	*20*	**5,500**	7,000
Purchase of shares held under the share award scheme		**–**	(5,018)
Principal portion of lease payments		**(1,837)**	(1,868)
Increase in rental deposits		**(45)**	(276)
Net cash flows from/(used in) financing activities		**117,063**	(5,136)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**100,237**	(21,697)
Cash and cash equivalents at beginning of year		**64,061**	85,912
Effect of foreign exchange rate changes, net		**7,068**	(154)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**171,366**	64,061
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Unrestricted cash and bank balances	*20*	**171,366**	64,061
Cash and cash equivalents as stated in the statement of cash flows	*20*	**171,366**	64,061

1. CORPORATE INFORMATION

Vixtel Technologies Holdings Limited (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 the 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 (the "**Main Board**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 29 November 2018 (the "**Listing Date**").

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in providing application performance management ("**APM**") solution in Mainland China (the "**PRC**"). There has been no significant change in the Group's principal activity during the year.

As of the date of approval of the financial statements, the Company has direct and indirect interests in the following entities:

Company name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
Vixtel Systems Limited	British Virgin Islands	US$1	100	–	Investment holding
Vixtel Networks Limited	Hong Kong	HK$10,000	–	100	Investment holding
Sino Impact Company Holding Limited	Hong Kong	HK$10,000	–	100	Investment holding
Vixtel Technologies Limited*	PRC/Mainland China	RMB50,500,000	–	100	Provision of APM solutions
Vixtel Software Limited**	PRC/Mainland China	RMB10,500,000***	–	100	Provision of APM solutions
Depuda (Wuxi) Technologies Limited**	PRC/Mainland China	RMB10,000,000***	–	77.7	Provision of APM solutions
Vixtel Yunwang (Beijing) Technologies Limited**	PRC/Mainland China	RMB100,000,000***	–	100	Provision of APM solutions

1. CORPORATE INFORMATION (continued)

Company name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
Licorne Intelligent Technologies Holdings Limited	British Virgin Islands	US$50,000	–	100	Investment holding
Licorne Intelligent Technologies Limited	Hong Kong	HK$10,000	–	100	Investment holding
Licorne Intelligent (Beijing) Technologies Holdings Limited*	PRC/Mainland China	HK$240,000,000	–	100	Investment holding
Licorne Intelligent (Shenzhen) Technologies Limited**	PRC/Mainland China	RMB10,000,000***	–	100	Investment holding
Licorne Shanghui (Shanghai) Technologies Limited**	PRC/Mainland China	RMB10,000,000***	–	100	Investment holding
Vixtel Shuzhi (Chongqing) Technologies Limited**	PRC/Mainland China	RMB10,000,000***	–	100	Provision of APM solutions

* Vixtel Technologies Limited and Licorne Intelligent (Beijing) Technologies Holdings Limited are registered as wholly-foreign-owned enterprises under PRC law.

** Vixtel Software Limited, Depuda (Wuxi) Technologies Limited, Vixtel Yunwang (Beijing) Technologies Limited, Licorne Intelligent (Shenzhen) Technologies Limited, Licorne Shanghui (Shanghai) Technologies Limited and Vixtel Shuzhi (Chongqing) Technologies Limited are registered as limited liability companies under PRC law. The English names of these companies represent the best effort made by the management of the Company to directly translate the Chinese names as they do not register any official English names.

*** As at 31 December 2022, the registered share capital of Vixtel Software Limited was RMB10,500,000 and the paid-up capital of Vixtel Software Limited was RMB100,000. As at 31 December 2022, the registered share capital of Depuda (Wuxi) Technologies Limited was RMB10,000,000 and the paid-up capital of Depuda (Wuxi) Technologies Limited was RMB9,000,000, with RMB2,000,000 from non-controlling shareholders. As at 31 December 2022, the registered share capital of Vixtel Yunwang (Beijing) Technologies Limited was RMB100,000,000 and the paid-up capital of Vixtel Yunwang (Beijing) Technologies Limited was RMB3,050,000. As at 31 December 2022, the registered share capital of Licorne Intelligent (Shenzhen) Technologies Limited was RMB10,000,000 and the paid-up capital of Licorne Intelligent (Shenzhen) Technologies Limited was nil. As at 31 December 2022, the registered share capital of Licorne Shanghui (Shanghai) Technologies Limited was RMB10,000,000 and the paid-up capital of Licorne Shanghui (Shanghai) Technologies Limited was RMB5,000,000.As at 31 December 2022, the registered share capital of Vixtel Shuzhi (Chongqing) Technologies Limited was RMB10,000,000 and the paid-up capital of Vixtel Shuzhi (Chongqing) Technologies Limited was RMB500,000.

2.1 BASIS OF PREPARATION

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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(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.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in the consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contract*[1,5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "**2020 Amendments**")*[2,4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "**2022 Amendments**")*[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, 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

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently accounting policy disclosures to ensure consistency with the amendments.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personal services to the Group or to the parent of the Group.

Property and equipment and depreciation

Property and equipment, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment and depreciation (continued)

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss and other comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Motor vehicles	20%
Furniture and fixtures	33%
Computer equipment	33%
Leasehold improvements	50%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of profit or loss and other comprehensive income in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Computer software

Purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 3 years.

Research and development costs

All research costs are charged to the consolidated statement of profit or loss and other comprehensive income as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises	2 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has used a loss rate approach and 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 then adjust these loss trends for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables and other payables.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing bank loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statement of profit or loss and other comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss and other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Shares held under the share award scheme

The Group's own equity instruments which are reacquired and held by the Group are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated statement of profit or loss and other comprehensive income over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the consolidated statement of profit or loss and other comprehensive income by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Integrated APM system solutions and software development services

Revenue from integrated APM system solutions and software development services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. For the contracts with a fixed price, the Group uses input method, which the Group recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the services. For the contracts billed a fixed amount for each hour of service provided, the Group uses practical expedient to recognise revenue in the amount to which the Group has a right to invoice.

Contracts for bundled sales of software development service and technical and maintenance services (i.e. training, upgrade, service-type warranties) are comprised of separate performance obligations because the promises to transfer the software and provide those services are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative stand-alone selling prices of each performance obligation.

(b) Technical services

Revenue from technical services is recognised over the scheduled period on a straight-line basis or based on the actual time/work incurred, because the customer simultaneously receives and consumes the benefits provided by the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(c) Sales of embedded hardware and standard APM software

Revenue from the sales of embedded hardware and standard APM software is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the hardware and software.

Contracts for bundled sales of embedded hardware and standard APM software, installation, technical and maintenance services (i.e., training and upgrade) are comprised of separate performance obligations because these promises are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative stand-alone selling prices of each performance obligation.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract. (i.e., transfers control of the related goods or services to the customer).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

The Company operates a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss and other comprehensive income for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Pension scheme

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiary operating in Mainland China is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

All the borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB, which is also the function currency of the Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Withholding tax arising from the distribution of dividends

The Group's determination as to whether to accrue for withholding taxes arising from the distributions of dividends from a subsidiary in Mainland China is subject to significant management judgement on the timing of the payment of the dividends that would be distributed in the foreseeable future. The estimation process is highly based on assumptions, which are influenced by projected future market and economic conditions and future financing requirements of the Group, and it is not probable that such subsidiary will distribute dividends in the foreseeable future.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a loss rate approach to calculate ECLs for trade receivables and contract assets. The loss rates are based on groupings of various customer segments that have similar loss patterns (i.e., by 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 then adjust these loss trends for current conditions and expectations about the future. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the telecommunications sector, the determined loss-rate will be adjusted. At each reporting date, the loss-rate statistics are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among the loss-rate statistics, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's expected default data and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in notes 17 and 19 to the financial statements, respectively.

Revenue recognition

The Group recognises revenue from integrated APM system solutions and software development services based on the actual direct costs incurred to satisfy the performance obligation relative to the total expected costs incurred to satisfy the performance obligation of an individual contract. Total expected costs and their corresponding contract revenue require estimations from management based on the understanding of the performance of the contract, quotations from suppliers and subcontractors, and the Group's historical experience. Due to the nature of the activity undertaken in the service contracts, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. Hence, the Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract revenue is less than expected or actual contract costs are more than expected, a provision for an onerous contract may arise.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Revenue recognition (continued)

In addition, when the Group determines the transaction price, the Group considers factors such as whether there is any financing component. The Group considers whether the payment schedule is commensurate with the Group's performance and whether the delayed payment is for financing purposes.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At the end of the reporting period, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. As at 31 December 2022, the carrying amount of deferred development costs included in intangible assets was RMB10,169,000 (2021: RMB14,646,000).

Amortisation of intangible assets

The Group calculates the amortisation of intangible assets on the straight-line basis over their estimated useful lives commencing from the date when the items of intangible assets are placed into use. The estimated useful lives reflect the estimates of the directors for the period that the Group intends to derive future economic benefits from the use of the Group's items of intangible assets.

4. 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.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 RMB'000	2021 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 RMB'000	2021 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 RMB'000	2021 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

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

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 RMB'000	2021 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.

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(b) Performance obligations (continued)

Sales of embedded hardware and standard APM software (continued)

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

	2022 RMB'000	2021 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 RMB'000	2021 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
Foreign 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.

6. (LOSS)/PROFIT BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Cost of inventories sold		**10,238**	3,603
Cost of services rendered		**45,477**	40,706
Depreciation of property and equipment	*13*	**429**	327
Depreciation of right-of-use assets	*14(a)*	**1,650**	1,819
Research and development costs:			
Deferred expenditure amortised*	*15*	**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	*14(c)*	**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	*17*	**28**	54
Impairment of contract assets, net	*19*	**215**	603
		243	657
Investment income from financial assets at fair value through profit or loss		**(580)**	(969)
Bank interest income	*5*	**(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.

7. FINANCE COSTS

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

	2022 RMB'000	2021 RMB'000
Interest on bank loans	**305**	363
Interest on lease liabilities *(note 14)*	**52**	111
	357	474

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Board consists of five directors, including one executive director, one non-executive director and three independent non-executive directors. Since 7 April 2022, Mr. Cheung Hon Fai, Professor Lam Kin Man and Mr. Shen Qi resigned and Mr. Yeung Man, Mr. Hu Jianjun and Ms. Ru Tingting have been appointed as the independent non-executive director. During the period from 1 January 2022 to 1 June 2022, the role of the chief executive of the Company was performed by Mr. Sie Tak Kwan. With effect from 1 June 2022, Mr. Sie Tak Kwan resigned and Mr. Shi Zhimin was appointed as the executive director and the chief executive. Since 7 April 2022, Mr. Liang Judong resigned and Mr. Guan Haiqing has been appointed as the non-executive director.

Directors' and chief executive's remuneration for the year, disclosed pursuant to 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 RMB'000	2021 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. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2022 RMB'000	2021 RMB'000
Mr. Yeung Man	236	–
Mr. Hu Jianjun	236	–
Ms. Ru Tingting	236	–
Mr. Cheung Hon Fai	49	161
Professor Lam Kin Man	33	108
Mr. Shen Qi	33	108
	823	377

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, a non-executive director and the chief executive

2022	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:				
Mr. Yue Yong	–	352	20	372
Mr. Guan Haiqing	–	442	25	467
	–	794	45	839
Executive directors and the chief executive:				
Mr. Sie Tak Kwan	–	442	25	467
Mr. Shi Zhimin	–	495	11	506
	–	937	36	973
Non-executive directors:				
Mr. Liang Judong	33			33
Mr. Guan Haiqing	1,289	–	–	1,289
	1,322	–	–	1,322
	1,322	1,731	81	3,134

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, a non-executive director and the chief executive (continued)

2021	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:				
Mr. Yue Yong	–	1,147	58	1,205
Mr. Guan Haiqing	–	1,147	60	1,207
	–	2,294	118	2,412
Executive director and the chief executive:				
Mr. Sie Tak Kwan	–	1,068	58	1,126
Non-executive director:				
Mr. Liang Judong	108	–	–	108
	108	3,362	176	3,646

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year. During the year, no remuneration was paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included one directors (2021: three), details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2021: two) highest paid employees who are neither a director nor chief executive of the Group are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	4,265	1,195
Pension scheme contributions	135	61
Equity-settled share award expense	261	448
	4,661	1,704

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2022	2021
Nil to HK$1,000,000	–	1
HK$1,000,001 to HK$1,500,000	4	1
	4	2

During the year, no highest paid employees waived or agreed to waive any remuneration and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

10. 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 **RMB'000**	2021 RMB'000
Current – Mainland China	**(19)**	(341)
Deferred *(note 24)*	**(869)**	(156)
Total tax credit for the year	**(888)**	(497)

10. INCOME TAX (continued)

A reconciliation of the tax expense applicable to (loss)/profit before tax at the statutory rate of Mainland China (i.e., 25%) where the main operating entity is domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2022		2021	
	RMB'000	%	RMB'000	%
(Loss)/Profit before tax	**(15,013)**		2,984	
Tax at the statutory tax rate	**(3,753)**	**25**	746	25
Lower tax rate for a specific entity in the PRC	**(376)**	**3**	(1,245)	(42)
Tax losses not recognised	**6,321**	**(42)**	1,250	42
Expenses not deductible for tax	**1,992**	**(13)**	1,590	53
Additional deductible allowance for research and development costs	**(5,072)**	**34**	(2,838)	(95)
Tax charge at the Group's effective rate	**(888)**	**6**	(497)	(17)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between PRC and the jurisdiction of the foreign investors.

For the Group, the applicable rate is 5% under the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income". The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

No withholding tax had been provided for the earnings retained by Vixtel Technologies Limited and not yet remitted to the shareholders. Based on management's judgement and assumptions, which are influenced by projected future market and economic conditions and future financing requirements of the Group, the fund of Vixtel Technologies Limited will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that Vixtel Technologies Limited will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investment in Vixtel Technologies Limited for which deferred tax liabilities have not been recognised totalled approximately RMB76,224,000 at 31 December 2022 (2021: RMB86,062,000).

11. DIVIDENDS

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

12. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY 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 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 **RMB'000**	2021 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

13. PROPERTY AND EQUIPMENT

	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Computer equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2022					
At 1 January 2022:					
Cost	317	297	2,975	1,004	4,593
Accumulated depreciation	(317)	(245)	(2,719)	(760)	(4,041)
Net carrying amount	–	52	256	244	552
At 1 January 2022, net of accumulated depreciation					
Additions	–	–	666	–	666
Depreciation provided during the year	–	(14)	(253)	(162)	(429)
At 31 December 2022, net of accumulated depreciation	–	38	669	82	789
At 31 December 2022:					
Cost	317	297	3,641	1,004	5,259
Accumulated depreciation	(317)	(259)	(2,972)	(922)	(4,470)
Net carrying amount	–	38	669	82	789

13. PROPERTY AND EQUIPMENT (continued)

	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Computer equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2021					
At 1 January 2021:					
Cost	317	288	2,708	832	4,145
Accumulated depreciation	(317)	(232)	(2,596)	(569)	(3,714)
Net carrying amount	–	56	112	263	431
At 1 January 2021, net of accumulated depreciation					
Additions	–	9	267	172	448
Depreciation provided during the year	–	(13)	(123)	(191)	(327)
At 31 December 2021, net of accumulated depreciation	–	52	256	244	552
At 31 December 2021:					
Cost	317	297	2,975	1,004	4,593
Accumulated depreciation	(317)	(245)	(2,719)	(760)	(4,041)
Net carrying amount	–	52	256	244	552

14. LEASES

The Group as a lessee

The Group has lease contracts for office premises used in its operations. The leases of properties generally have lease terms for 2 years, and some have lease terms of 12 months or less. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension options, which is further discussed below.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	2022 **RMB'000**	2021 RMB'000
At the beginning of the year	**1,864**	2,439
Additions	**2,705**	–
Revision of a lease term arising from a change in the non-cancellable period of a lease	**–**	1,244
Depreciation charge *(note 6)*	**(1,650)**	(1,819)
At the end of the year	**2,919**	1,864

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022 **RMB'000**	2021 RMB'000
Carrying amount at 1 January	**1,790**	2,414
New leases	**2,705**	–
Revision of a lease term arising from a change in the non-cancellable period of a lease	**–**	1,244
Accretion of interest recognised during the year *(note 7)*	**52**	111
Payments	**(1,889)**	(1,979)
Carrying amount at 31 December	**2,658**	1,790
Analysed into:		
Current portion	**1,499**	1,718
Non-current portion	**1,159**	72

The maturity analysis of lease liabilities is disclosed in note 34 to the financial statements.

14. LEASES (continued)

The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	**52**	111
Depreciation charge of right-of-use assets	**1,650**	1,819
Expense relating to short-term leases (included in research development expenses, selling and distribution expenses and administrative expenses)	**987**	1,697
Total amounts recognised in profit or loss	**2,689**	3,627

(d) Extension options

The Group has several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and they are aligned with the Group's business needs. These extension options are expected to be exercised.

(e) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 28(c) and 30 respectively, to the financial statements.

15. OTHER INTANGIBLE ASSETS

	Computer software RMB'000	Deferred development costs RMB'000	Total RMB'000
31 December 2022			
Cost at 1 January 2022, net of accumulated amortisation	**–**	**14,626**	**14,626**
Amortisation provided during the year	**–**	**(4,457)**	**(4,457)**
At 31 December 2022	**–**	**10,169**	**10,169**
At 31 December 2022:			
Cost	**184**	**22,524**	**22,708**
Accumulated amortisation	**(184)**	**(12,355)**	**(12,539)**
Net carrying amount	**–**	**10,169**	**10,169**

	Computer software RMB'000	Deferred development costs RMB'000	Total RMB'000
31 December 2021			
Cost at 1 January 2021, net of accumulated amortisation	–	12,800	12,800
Additions – internal development	–	5,350	5,350
Amortisation provided during the year	–	(3,524)	(3,524)
At 31 December 2021	–	14,626	14,626
At 31 December 2021:			
Cost	184	22,524	22,708
Accumulated amortisation	(184)	(7,898)	(8,082)
Net carrying amount	–	14,626	14,626

16. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	**4,531**	3,384

17. 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.

17. TRADE AND BILLS RECEIVABLES (continued)

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 RMB'000	2021 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 RMB'000	2021 RMB'000
At beginning of year	**496**	442
Impairment losses, net *(note 6)*	**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.

17. TRADE AND BILLS RECEIVABLES (continued)

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

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 RMB'000	2021 RMB'000
Non-current portion		
Rental deposits	45	276
Current portion		
Prepayments	3,567	5,501
Bidding deposits	1,903	2,156
Individual income tax	1,491	478
Rental deposits	853	291
Others	75	10
	7,934	8,712

Rental deposits mainly represent deposits paid to the office for leases. The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2022 and 2021, the loss allowance was assessed to be minimal.

19. 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 17 to the financial statements.

19. CONTRACT ASSETS *(continued)*

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

	2022 RMB'000	2021 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 RMB'000	2021 RMB'000
At beginning of year	**1,672**	1,069
Impairment losses, net *(note 6)*	**215**	603
At the end of year	**1,887**	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.

19. CONTRACT ASSETS (continued)

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

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		2022 RMB'000	2021 RMB'000
Cash and bank balances		**153,419**	70,161
Time deposits		**22,409**	–
		175,828	70,161
Less:			
Pledged time deposit for a bank loan	*(a)*	**(4,200)**	(5,500)
Pledged time deposit for a bill payable	*(a)*	**–**	(600)
Current restricted cash for guarantee	*(b)*	**(133)**	–
Non-current restricted cash for guarantee	*(b)*	**(129)**	–
Cash and cash equivalents		**171,366**	64,061
Cash and cash equivalents, pledged deposits, time deposits and restricted cash			
Denominated in:			
RMB		**64,958**	68,379
HK$		**110,567**	1,463
US$		**303**	319

(a) As at 31 December 2022, bank deposits of RMB4,200,000 (2021: RMB5,500,000) were pledged for interest-bearing bank borrowings.The balance of pledged time deposit for a bill payable as of December 31, 2022 was nil(2021: RMB600,000).

(b) Current restricted cash of RMB133,000 (2021:Nil) and non-current restricted cash of RMB129,000 (2021:Nil) were restricted for a performance letter of guarantee.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposit are deposited with creditworthy banks with no recent history of default.

21. TRADE AND BILLS PAYABLES

		2022 RMB'000	2021 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 RMB'000	2021 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.

22. OTHER PAYABLES AND ACCRUALS

		2022 RMB'000	2021 RMB'000
Salaries and welfare payables		**8,721**	6,970
Contract liabilities	*(a)*	**137**	821
Other tax payables		**12,723**	9,800
Other payables	*(b)*	**2,382**	2,701
		23,963	20,292

22. OTHER PAYABLES AND ACCRUALS (continued)

(a) Details of the contract liabilities are as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000	1 January 2021 RMB'000
Contract liabilities arising from contracts with customers			
Current contract liabilities			
Technical services	**107**	702	589
Non-current contract liabilities			
Technical services	**30**	119	–
	137	821	589

The contract liabilities include advances received for technical services.

(b) Other payables are non-interest-bearing and repayable on demand.

23. INTEREST-BEARING BANK BORROWINGS

	2022			2021		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured	**2.85**	**2023**	**6,000**	3.65	2022	5,000
Bank loans – secured	**2.85**	**2023**	**4,000**	3.75	2022	5,000
			10,000			10,000

	2022 RMB'000	2021 RMB'000
Analysed into		
Bank loans:		
Within one year	**10,000**	10,000

(a) Certain of the Group's bank loan is secured by the pledge of certain of the Group's time deposit amounting to RMB4,200,000 (2021: RMB5,500,000).

24. DEFERRED TAX

Deferred tax liabilities

	2022		
	Withholding taxes on the earnings anticipated to be remitted by subsidiaries RMB'000	Development costs RMB'000	Total RMB'000
At 1 January 2022	1,328	1,646	2,974
Deferred tax charged to the statement of profit or loss and other comprehensive income during the year *(note 10)*	–	(502)	(502)
Transferred to tax payable	(500)	–	(500)
At 31 December 2022	828	1,144	1,972

Deferred tax assets

	2022		
	Book-tax difference of amortisation of intangible assets RMB'000	Impairment of trade receivables and contract assets RMB'000	Total RMB'000
At 1 January 2022	592	324	916
Deferred tax credited to the statement of profit or loss and other comprehensive income during the year *(note 10)*	331	36	367
At 31 December 2022	923	360	1,283

24. DEFERRED TAX (continued)

Deferred tax liabilities

	2021		
	Withholding taxes on the earnings anticipated to be remitted by subsidiaries RMB'000	Development costs RMB'000	Total RMB'000
At 1 January 2021	1,428	1,440	2,868
Deferred tax charged to the statement of profit or loss and other comprehensive income during the year *(note 10)*	–	206	206
Transferred to tax payable	(100)	–	(100)
At 31 December 2021	1,328	1,646	2,974

Deferred tax assets

	2021		
	Book-tax difference of amortisation of intangible assets RMB'000	Impairment of trade receivables and contract assets RMB'000	Total RMB'000
At 1 January 2021	327	227	554
Deferred tax credited to the statement of profit or loss and other comprehensive income during the year *(note 10)*	265	97	362
At 31 December 2021	592	324	916

The Group has tax losses arising in Mainland China of RMB26,284,000 (2021: RMB5,001,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time. Apart from the above, there were no significant unrecognised deferred tax assets at 31 December 2021.

25. SHARE CAPITAL

	2022 RMB'000	2021 RMB'000
Authorised:		
20,000,000,000 (2021: 20,000,000,000) ordinary shares of HK$0.01 each	**178,630**	178,630
Issued and fully paid:		
762,000,000 (2021: 508,000,000) ordinary shares of HK$0.01 each	**6,686**	4,514

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital** RMB'000
At 1 January 2021	508,000,000	4,514
At 31 December 2021 and 1 January 2022	508,000,000	4,514
Rights issue *(Note (a))*	254,000,000	2,172
At 31 December 2022	**762,000,000**	**6,686**

(a) A rights issue of one rights share for every two existing shares held by members on the register of members on 20 June 2022 was made, at an issue price of HK$0.55 per rights share, resulting in the issue of 254,000,000 shares for a total cash consideration, before expenses, of HK$139,700,000.

26. SHARE AWARD SCHEME

A share award scheme was adopted on 10 January 2020 (the "**Share Award Scheme**"). The purposes of the Share Award Scheme are (i) to recognise 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 awarded shares will be acquired by an independent trustee ("**the Trustee**") from the open market by utilizing the Company's resources provided to the Trustee. The total number of shares to be awarded under the Share Award Scheme shall not exceed 10% of the total number of issued shares from time to time. The maximum number of award shares which may be granted to a selected participant but unvested under the Share Award Scheme shall not exceed 1% of the total number of issued shares from time to time.

26. SHARE AWARD SCHEME (continued)

The Share Award Scheme shall terminate on the earlier of: (i) the tenth anniversary of the adoption date; and (ii) such date of early termination as determined by the Board of directors provided that such termination shall not affect any subsisting rights of any selected participant under the Share Award Scheme.

The Trustee was considered as an extension of the Company and the shares held for the share award scheme were presented as treasury shares in the consolidated financial statements of the Group.

From 12 April 2021 to 21 April 2021, based on the Company's instructions, the Trustee has purchased a total of 13,000,000 ordinary shares of the Company on the Stock Exchange for future granting, at prices ranging from HK$0.4461 to HK$0.4906 per share at a total consideration of approximately HK$5,969,000 (equivalent to approximately RMB5,018,000).

The Company granted a total of 13,000,000 shares to 15 selected participants on 16 July 2021. The fair value of the granted shares is calculated based on the closing market price of HK$0.495 on the day of the grant, amounting to HK$6,435,000 (equivalent to approximately RMB5,360,000). The Award Shares have been vested in two tranches in accordance with the following dates: (i) 50% of the Award Shares have been vested on 1 September 2021; and (ii) The remaining 50% of the award shares which were originally scheduled to vest on 31 December 2022 have been vested on 14 January 2022. The Group recognised a share award expense of RMB1,843,000 during the year (2021: RMB3,517,000).

As of 31 December 2022, 13,000,000 shares to 15 selected participants have been fully vested.

27. RESERVES

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity on page 64 of the financial statements.

(a) Capital reserve

The capital reserve of the Group represents the capital contribution from the shareholders of Vixtel Technologies Limited. It also includes reserves arising from equity transactions with non-controlling interests.

27. RESERVES (continued)

(b) Statutory surplus reserve

Pursuant to the relevant laws in the PRC, the Company's subsidiary in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant PRC subsidiary.

In accordance with the Company Law of the PRC, the domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(c) Share award reserve

The share award reserve represents the difference between the fair value of the shares granted to employees of the Group and the costs paid by these employees with a corresponding increase in the share award reserve within equity, details of which were set out in note 26 to the consolidated financial statements.

(d) Share premium

The share premium represents the difference between the par value of the shares issued and the consideration received.

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB2,694,000 (2021: RMB1,244,000) and RMB2,694,000 (2021: RMB1,244,000), respectively, in respect of lease arrangements for office premises.

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities

2022

	Bank loans RMB'000	Lease liabilities RMB'000
At 1 January 2022	10,000	1,790
Changes from financing cash flows	(304)	(1,889)
New lease	–	2,705
Interest expense	304	52
At 31 December 2022	10,000	2,658

2021

	Bank loans RMB'000	Lease liabilities RMB'000
At 1 January 2021	10,000	2,414
Changes from financing cash flows	(363)	(1,979)
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	1,244
Interest expense	363	111
At 31 December 2021	10,000	1,790

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 RMB'000	2021 RMB'000
Within operating activities	987	1,697
Within financing activities	1,934	2,255
	2,921	3,952

29. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's interest-bearing borrowings and bills payable are included in note 20(a) to the financial statements.

30. COMMITMENTS

The Group has various contracted, but not provided short-term lease commitments at the end of 31 December 2022 and 2021. The future lease payments for these non-cancellable contracts are RMB232,000 (2021: RMB204,000) due within one year.

31. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	2022 RMB'000	2021 RMB'000
Fee	**1,322**	108
Other emoluments:		
Salaries, allowances and benefits in kind	**6,766**	7,271
Pension scheme contributions	**216**	371
Equity-settled share award expense	**176**	1,237
	7,158	8,879
	8,480	8,987

Further details of the emoluments of directors and the chief executive are included in note 8 to the financial statements.

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Group as at the end of the reporting period are as follows:

Financial assets at amortised cost	**2022 RMB'000**	2021 RMB'000
Trade and bills receivables	**25,862**	25,593
Financial assets included in prepayments, other receivables and other assets	**4,367**	3,211
Pledged time deposits	**4,200**	6,100
Restricted cash	**262**	-
Cash and cash equivalents	**171,366**	64,061
Long term deposits	**45**	276
	206,102	99,241

Financial liabilities at amortised cost	**2022 RMB'000**	2021 RMB'000
Trade and bills payables	**2,687**	2,111
Financial liabilities included in other payables and accruals	**2,382**	2,701
Interest-bearing bank and other borrowings	**10,000**	10,000
Lease liabilities	**2,658**	1,790
	17,727	16,602

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

There are no significant differences between the carrying amounts and the fair values of the Group's financial instruments.

Management has determined that the carrying amounts of cash and cash equivalents, pledged deposit, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, financial liabilities included in other payables and accruals and interest-bearing bank and other borrowings reasonably approximate to their fair values because these financial instruments are mostly short term in nature.

The fair values of the non-current portion of lease liabilities and performance letter of guarantee has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for lease liabilities as at the end of each of the reporting period were assessed to be insignificant.

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Assets for which fair values are disclosed

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Long-term deposits	–	45	–	45

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Long-term deposits	–	276	–	276

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities (2021: Nil).

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise Interest-bearing bank borrowings and cash and bank balances. The Group has various other financial assets and liabilities such as trade and bills receivables, other receivables, trade and bills payables, other payables and accruals and interest-bearing bank and other borrowings, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing all of these risks and they are summarised below

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group's transactions are mainly denominated in RMB. Certain of the Group's cash and bank deposits are denominated in HK$ and US$. In addition, the Company will pay dividends in HK$ in the future. Any significant exchange rate fluctuations of HK$ against RMB may have financial impacts on the Group.

The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the reporting period. Nevertheless, the Group will from time-to-time review and adjust the Group's hedging and financing strategies based on the RMB and HK$ exchange rate movement.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$ and HK$ exchange rates, with all other variables held constant, of the Group's profit before (or after) tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of forward currency contracts).

	Increase/ (decrease) in US$/HK$ rate %	Increase/ (decrease) in profit before (or after) tax RMB'000
2022		
If the RMB weakens against the US$	**(5%)**	**15**
If the RMB strengthens against the US$	**5%**	**(15)**
If the RMB weakens against the HK$	**(5%)**	**5,528**
If the RMB strengthens against the HK$	**5%**	**(5,528)**
2021		
If the RMB weakens against the US$	(5%)	16
If the RMB strengthens against the US$	5%	(16)
If the RMB weakens against the HK$	(5%)	73
If the RMB strengthens against the HK$	5%	(73)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The credit risk of the Group's financial assets, which comprise cash and cash equivalents, financial assets at fair value through profit or loss, pledged deposits, trade receivables, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and other receivables are disclosed in notes 17 and 19 to the financial statement.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2022	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Contract assets*	–	–	–	103,227	103,227
Trade and bills receivables*	–	–	–	26,386	26,386
Financial assets included in prepayments, other receivables and other assets					
– Normal **	4,367	–	–	–	4,367
Pledged time deposits					
– Not yet past due	4,200	–	–	–	4,200
Restricted cash					
– Not yet past due	262				262
Cash and cash equivalents					
– Not yet past due	171,366	–	–	–	171,366
Long term deposits ***					
– Not yet past due	45	–	–	–	45
	180,237	–	–	129,613	309,850

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2021	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets*	–	–	–	97,082	97,082
Trade and bills receivables*	–	–	–	26,089	26,089
Financial assets included in prepayments, other receivables and other assets					
– Normal **	3,211	–	–	–	3,211
Pledged deposits					
– Not yet past due	6,100	–	–	–	6,100
Cash and cash equivalents					
– Not yet past due	64,061	–	–	–	64,061
Long term deposit ***					
– Not yet past due	276	–	–	–	276
	73,648	–	–	123,171	196,819

* For trade and bill receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the loss rate approach is disclosed in notes 17 and 19 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

*** Non-current rental deposits were paid to owners of office. The board of directors consider that the amounts are fully recoverable considering their creditworthiness.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by product type. As detailed in note 4 to the financial statements, the Group trades with state-owned telecommunications operators and some of them are ultimately controlled by the same state-owned telecommunications operators. As the Group trades with each provincial subsidiary of the state-owned telecommunications operators and these trade receivables are settled independently, there are no significant concentrations of credit risk within the Group.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility using bank borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	As at 31 December 2022				
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Over 12 months RMB'000	Total RMB'000
Lease liabilities	–	351	1,145	1,255	2,751
Interest-bearing bank and other borrowings	–	2,010	8,101	–	10,111
Trade and bills payables	113	1,528	1,046	–	2,687
Financial instruments included in other payables and accruals	2,382	–	–	–	2,382
	2,495	3,889	10,292	1,255	17,931

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	As at 31 December 2021				
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Over 12 months RMB'000	Total RMB'000
Lease liabilities	–	417	1,342	72	1,831
Interest-bearing bank and other borrowings	–	–	10,154	–	10,154
Trade and bills payables	36	1,720	355	–	2,111
Financial instruments included in other payables and accruals	2,701	–	–	–	2,701
	2,737	2,137	11,851	72	16,797

Capital management

The Group's policy is to maintain a strong capital base to maintain creditor and market confidence and to sustain future development of business. The Group's overall strategy remains unchanged from prior years.

The current capital structure of the Group includes equity comprising capital, reserves and retained profits.

The directors of the Company review the asset-liability ratio, which is total liabilities divided by total assets, on a continuous basis considering the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the raising of new debts and equity as well as the redemption of the existing debts to manage the asset-liability ratio.

The asset-liability ratios as at the end of the reporting periods are as follows:

	2022 RMB'000	2021 RMB'000
Total assets	**329,372**	220,302
Total liabilities	**39,997**	36,647
Asset-liability ratio	**12%**	17%

35. EVENTS AFTER THE REPORTING PERIOD

As at the date of this report, there is no significant event of the Group after the reporting period.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Investment in subsidiaries	**89,245**	87,402
Property and equipment	**–**	2
Total non-current assets	**89,245**	87,404
CURRENT ASSETS		
Due from subsidiaries	**101,275**	372
Prepayments, other receivables and other assets	**850**	162
Cash and cash equivalents	**16,752**	130
Total current assets	**118,877**	664
CURRENT LIABILITIES		
Due to subsidiaries	**–**	195
Other payables and accruals	**13**	–
Total current liabilities	**13**	195
NET CURRENT ASSETS	**118,864**	469
Total assets less current liabilities	**208,109**	87,873
Net assets	**208,109**	87,873
EQUITY		
Share capital *(note 25)*	**6,686**	4,514
Treasury shares	**–**	(2,509)
Reserves	**201,423**	85,868
Total equity	**208,109**	87,873

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Treasury shares RMB'000	Share award reserve RMB'000	Capital reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2021	76,581	–	–	30,674	(18,244)	89,011
Loss for the year	–	–	–	–	(4,151)	(4,151)
Total comprehensive loss for the year	–	–	–	–	(4,151)	(4,151)
Shares repurchased for the share award	–	(5,018)		–	–	(5,018)
Equity settled share award scheme	–	2,509	1,008	–	–	3,517
At 31 December 2021 and 1 January 2022	76,581	(2,509)	1,008	30,674	(22,395)	83,359
Loss for the year	–	–	–	–	391	391
Total comprehensive loss for the year	–	–	–	–	391	391
Issue of shares	117,279	–	–	–	–	117,279
Share issue expenses	(1,448)	–	–	–	–	(1,448)
Equity settled share award scheme	341	2,509	(1,008)	–	–	1,842
At 31 December 2022	**192,753**	**–**	**–**	**30,674**	**(22,004)**	**201,423**

37. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 28 March 2023.

FINANCIAL SUMMARY

A summary of the results, and of the assets, liabilities and non-controlling interest of the Group for the last five financial years, as extracted from the published audited consolidated financial statements or published prospectus of the Company is set out below:

	Year ended 31 December				
	2022	2021	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
REVENUE	**103,767**	99,120	80,999	93,147	115,107
Cost of sales	**(55,715)**	(44,309)	(37,409)	(40,074)	(45,024)
Gross profit	**48,052**	54,811	43,590	53,073	70,083
Other income and gains	**12,677**	5,368	5,148	10,698	9,308
Selling and distribution expenses	**(14,224)**	(15,069)	(9,435)	(8,934)	(8,602)
Research and development expenses	**(36,592)**	(23,974)	(21,681)	(22,644)	(18,713)
Administrative expenses	**(24,310)**	(16,822)	(15,192)	(15,525)	(19,896)
Impairment losses on financial and contract assets, net	**(243)**	(657)	(55)	(889)	(140)
Other expenses	**(16)**	(199)	(973)	(76)	(65)
Financial costs	**(357)**	(474)	(291)	(150)	–
(LOSS)/PROFIT BEFORE TAX	**(15,013)**	2,984	1,111	15,553	31,975
Income tax credit/(expense)	**888**	497	(12)	(2,742)	(4,082)
(LOSS)/PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(14,125)**	3,481	1,099	12,811	27,893
Attributable to:					
Owners of the parent	**(11,929)**	3,643	1,104	12,811	27,893
ASSETS AND LIABILITIES					
Total assets	**329,372**	220,302	221,601	210,654	210,038
Total liabilities	**39,997**	36,647	40,926	32,078	38,925
Total equity	**289,375**	183,655	180,675	178,576	171,113