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Vixtel Technologies Holdings Limited

飛思達科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1782)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Vixtel Technologies Holdings Limited (the “**Company**”) is pleased to announce the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022.

The Group’s unaudited interim condensed consolidated financial results for the six months ended 30 June 2022 have been reviewed by the audit committee and the management of the Company, which were of the view that the preparation of such financial results have complied with the applicable accounting standards, the requirements under the Rules Governing the Listing of Securities (the “**Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and other applicable legal requirements, and that adequate disclosures have been made.

This announcement, containing the full text of the 2022 interim report of the Company, complies with the relevant requirements of the Listing Rules in relation to information to accompany preliminary announcement of interim results. Printed version of the Company’s 2022 interim report will be delivered to the registered shareholders of the Company and available for viewing on the website of the Stock Exchange at www.hkexnews.hk and of the Company at www.vixtel.com on or before 30 September 2022.

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

Hong Kong, 29 August 2022

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

CONTENTS

Contents	1
Corporate Information	2
Financial Highlights	4
Management Discussion and Analysis	5
Other Information	14
Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	21
Interim Condensed Consolidated Statement of Financial Position	22
Interim Condensed Consolidated Statement of Changes in Equity	23
Interim Condensed Consolidated Statement of Cash Flows	24
Notes to the Interim Condensed Consolidated Financial Statements	26



BOARD OF DIRECTORS

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*)

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

Mr. Shi Zhimin

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

AUDIT COMMITTEE

Mr. Yang Man Simon (*Chairman*)
(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*)

REMUNERATION COMMITTEE

Mr. Hu Jianjun (*Chairman*)
(appointed on 7 April 2022)

Ms. Ru Tingting (*appointed on 7 April 2022*)

Mr. Yang Man Simon (*appointed on 7 April 2022*)

Mr. Shi Zhimin (*appointed as a member of*
the Remuneration Committee 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*)

Mr. Sie Tak Kwan (*resigned as a member of*
the Remuneration Committee on 7 April 2022)

NOMINATION COMMITTEE

Ms. Ru Tingting (*Chairlady*)
(appointed on 7 April 2022)

Mr. Yang Man Simon (*appointed on 7 April 2022*)

Mr. Hu Jianjun (*appointed on 7 April 2022*)

Mr. Shi Zhimin (*appointed as a member of*
the Nomination Committee 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*)

Mr. Sie Tak Kwan (*resigned as a member of*
the Nomination Committee on 7 April 2022)

INDEPENDENT AUDITOR

Ernst & Young

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PRINCIPAL BANKER

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STOCK CODE

1782

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Revenue	45,695	42,274
(Loss)/profit for the period	(3,115)	3,018
Net (loss)/profit attributable to the ordinary equity holders of the parent	(2,769)	2,928
(Loss)/profit per share (RMB cents)	(0.53)	0.58
Gross margin	52.2%	55.9%
Net (loss)/profit margin	-6.8%	7.1%
	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Cash and cash equivalents	167,688	64,061
Total assets	331,558	220,302
Total liabilities	31,096	36,647
Total Equity	300,462	183,655
Current ratio	10.5	5.8
Quick ratio	10.2	5.7
Debt to equity ratio (<i>Note</i>)	3.3%	5.4%

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

The board (the “**Board**”) of directors (the “**Directors**”) of Vixtel Technologies Holdings Limited (the “**Company**”) announces its unaudited consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2022 together with the comparative figures for the corresponding period in 2021.

BUSINESS REVIEW AND OUTLOOK

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.

In the first half of 2022, the Group’s revenue increased by approximately 8.1% as compared with the same period last year but it recorded a net loss of approximately RMB3.1 million.

The growth of revenue was basically in line with the estimation of the management. While the profit level was temporarily compressed as a result of putting more resources into expanding R&D team and reinforcing market development under our strategy towards emerging industries, the Group’s profitability would be further solidified when the input-output relationship comes into effect in a longer time span.

In the first half of 2022, due to the raging epidemic caused by the new virus variant and the corresponding closure and control measures, the normal economic development of the Yangtze River Delta, the leading economic region in China, was seriously affected. The Group adopted smart office, remote communication, and optimized resource allocation to maintain its normal operations in the first half of the year, and seeks to accelerate the growth of business all the way in the second half of the year.

Going forward, with the increasing informatization and digitalization in society, and the redoubling economic stimulus further introduced by the Chinese government’s policies, the investments by telecom operators become more focus and irreversible. Investments in high-tech sectors, especially 5G new infrastructure, will be further enlarged.

The Group’s customers are largely state-owned and sizable enterprises, and the Group could therefore benefit from the economic stimulus policies. With the help from the Chinese government to further intensify its policies of revamping informatization and to bolster state-owned enterprises, the Group expects to maintain a stable growth of operating results.

In the 5G market, China’s three major telecom operators have invested nearly RMB500 billion in 5G in the past three years of consistent investment. Equally noteworthy is that the 5G private network market is currently at a stage of rapid development after three years of customer cultivation.

In terms of 5G technology, the Group’s investment in 5G products is paying off. The Group has signed formal business agreements with various major telecom operators and major institutes which responsible for the output of industry application solutions.

The operations in the current market validate the prescience and timing of the Group’s early-stage investment in 5G sectors. The management believe that such investment will continue to create long term return to the Company and the Shareholders.

In order to better prepare for the future business development, the Group took a strategy move to further solidify its capital structure in the first half of 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

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\$138.1 million (equivalent to approximately RMB118.1 million).

The purposes of the Right Issue were to raise funds for (i) the investment in and upgrade of big data and artificial intelligence (“**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 30 June 2022, the net proceeds from the Rights Issue have not been utilized but deposited into a licenced bank in Hong Kong. The Company aims to commence the use of the net proceeds of the Right Issue within 12 months from the date of this report 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**”).

OUTLOOK

We are optimistic about the growing trend of the Group’s business in the second half of 2022 and expect a further improvement in its results.

On business front, riding on the technical cooperation relationships and the letters of procurement intent already reached with telecom operators and large enterprises in the industry, we will receive purchase orders and recognize income accordingly in the second half of the year.

In terms of technology development, the Group has kicked off industry-university-research cooperation with the applied technology research centers of top universities in China in relation to 5G industry applications. The Group’s overall solution for 5G industry private network performance will focus on two directions:

- (1) In-depth development: from the 5G industry private network operation and maintenance operation platform to 5G smart industry terminals, and then to 5G modules and chips, all of which are to expand the application depth of products; and
- (2) Horizontal expansion: to establish more business scenario management models and to conduct application performance assurance for “5G + All Industries”, all of which are to expand the application breadth of products.

Building on its own core competence, to form an ecological chain of industrial cooperation horizontally and vertically, the Group will lay a solid foundation for ensuring performance growth.

The Group is also piloting the construction of overseas private networks for the 5G industry by (1) cooperating with large-scale enterprises’ expatriate teams under the guidance of the Chinese government, and (2) cooperating with overseas partners with technical support and sales channels. This is an attempt to introduce the Group’s products into the “Belt and Road” new overseas infrastructure projects, so as to open up a broader market for the Group’s solutions.

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 June 2022 amounted to approximately RMB45.7 million, representing an increase of approximately RMB3.4 million or 8.1% as compared with that of approximately RMB42.3 million recorded for the six months ended 30 June 2021. The increase was mainly attributable to the combined effect of: (1) the increase in revenue generated from the provision of integrated APM system solutions of approximately RMB1.7 million; (2) the increase in revenue generated from the provision of software development services of approximately RMB0.7 million; (3) the decrease in revenue generated from the provision of technical services of approximately RMB0.6 million; and (4) the increase in revenue generated from sales of embedded hardware and standard APM software of approximately RMB1.7 million.

The following analysis sets forth a breakdown of the Group's revenue by service type for the six months ended 30 June 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 an increase in the revenue generated from the provision of integrated APM system solutions of approximately 7.0% from approximately RMB23.8 million for the six months ended 30 June 2021 to approximately RMB25.5 million for the six months ended 30 June 2022. This was primarily due to the expansion of our customers' projects to cover more new Internet applications performance analysis.

Software development services

This segment provides software development services which typically involve in 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 increased by approximately 6.4% from approximately RMB10.5 million for the six months ended 30 June 2021 to approximately RMB11.2 million for the six months ended 30 June 2022. This was primarily due to the fact that more existing customers completed software development services which upgrade and expand their existing APM systems to cover new network-based applications and users.

Technical services

This segment provides advisory services including operational support, system maintenance, network analysis and optimization for our APM products, and research study of specific topics on application and network performance. Our revenue derived from the provision of technical services decreased by approximately 8.6% from approximately RMB7.2 million for the six months ended 30 June 2021 to approximately RMB6.6 million for the six months ended 30 June 2022. Such decrease was primarily attributable to our allocation of more resources to the promotion of new products and technologies of our Integrated APM system solutions.

Sales of embedded hardware and standard APM software

We sell 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 increased by approximately 218.2% from approximately RMB0.8 million for the six months ended 30 June 2021 to approximately RMB2.5 million for the six months ended 30 June 2022. This was primarily due to the increase in sale of standard software to non-operator customers.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 0.8% from approximately RMB23.6 million for the six months ended 30 June 2021 to approximately RMB23.8 million for the six months ended 30 June 2022. Such increase was mainly due to the increase in the business volume for sales of integrated APM system solutions, and sales of embedded hardware and standard APM software. The Group's gross profit margin was recorded at approximately 55.9% and approximately 52.2% for the six months ended 30 June 2021 and 2022, respectively. The decrease in gross margin was mainly due to the increase in staff costs in line with the increase in headcounts in product and service divisions, the purpose of which was to improve the Group's competitiveness in our 5G related business.

Other income and gains

The Group recorded other income and gains of approximately RMB2.7 million and approximately RMB3.6 million for the six months ended 30 June 2021 and 2022, respectively. The increase was primarily due to the increase in government grants received and the increase in net exchange gain generated from the Group's holding of HK dollars as a result of the increase of HK dollar exchange rate in the first half of 2022.

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately 29.3% from approximately RMB4.8 million for the six months ended 30 June 2021 to approximately RMB6.2 million for the six months ended 30 June 2022, which was mainly due to the increase in staff costs by approximate RMB1.1 million as a result of the equity-settled share award expense.

Research and development expenses

The Group's research and development ("R&D") expenses increased by approximately 19.3% from approximately RMB12.0 million for the six months ended 30 June 2021 to approximately RMB14.3 million for the six months ended 30 June 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 partly attributable to the equity-settled share award expense of approximately RMB0.7 million.

Administrative expenses

The Group's administrative expenses increased by approximately 63.9% from approximately RMB6.3 million for the six months ended 30 June 2021 to approximately RMB10.3 million for the six months ended 30 June 2022. The increase was mainly attributable to the increases in various costs in associate with additional precautionary 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, the equity-settled share award scheme and the mandatory unconditional cash offer, and the increase in headcounts for the need of further corporate development.

Net (loss)/profit

Due to the foregoing reasons, the Group recorded a net loss of approximately RMB3.1 million for the six months ended 30 June 2022 as compared to a net profit of approximate RMB3.0 million for the six months ended 30 June 2021.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's net current assets increased from approximately RMB165.6 million as at 31 December 2021 to approximately RMB284.4 million as at 30 June 2022. Our cash and cash equivalents were approximately RMB167.7 million as at 30 June 2022 (as at 31 December 2021: approximately RMB64.1 million).

The Group's current ratio increased from 5.8 as at 31 December 2021 to 10.5 as at 30 June 2022. The Group's debt to equity ratio decreased from 5.4% as at 31 December 2021 to 3.3% as at 30 June 2022.

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\$138.1 million (equivalent to approximately RMB118.1 million) which was deposited into a licenced bank in Hong Kong as at 30 June 2022.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's main operations are in China with most of its transactions being settled in RMB. Some 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 as at 30 June 2022 including HK\$147.3 million (equivalent to approximately RMB126.0 million) and US\$89,000 (equivalent to approximately RMB0.6 million) were held in banks in Hong Kong. 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 six months ended 30 June 2022. In this respect, the Group is not exposed to any significant foreign currency exchange risk. The management will continue to 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 the Record Date by the Qualified Shareholders. 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. 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\$138.1 million (equivalent to approximately RMB118.1 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\$20.4 million, will be used for general corporate and working capital purposes. As at 30 June 2022, the net proceeds from the Rights Issue have not been utilized but deposited into a licenced bank in Hong Kong. The Company aims to commence the use of the net proceeds of the Right Issue within 12 months from the date of this report 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 six months ended 30 June 2022. The capital structure of the Group mainly consists of shareholders' equity, which includes share capital and reserves, and bank borrowings. As at 30 June 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 RMB300.5 million as at 30 June 2022 (as at 31 December 2021: approximately RMB183.7 million).

As at 30 June 2022, the Group's short term interest-bearing bank borrowings 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 borrowings were fixed at approximately 3.7% per annum during the six months ended 30 June 2022.

CAPITAL EXPENDITURES

For the six months ended 30 June 2022, the Group's capital expenditures amounted to approximately RMB0.4 million (for the six months ended 30 June 2021: RMB0.1 million), mainly in computer equipment.

COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no material commitments or contingent liabilities (as at 31 December 2021: Nil).

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 2022, the Group did not hold any significant investments nor made any significant acquisition of capital assets.

CHARGE ON ASSETS

As at 30 June 2022, apart from bank deposits amounting to RMB4.2 million that were pledged to banks mainly in relation to a short-term bank loan (at at 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 at 30 June 2022, the Group had a total of 281 employees. The Group's staff costs including directors' emoluments were approximately RMB31.4 million for the six months ended 30 June 2022 (for the six months ended 30 June 2021: approximately RMB22.6 million).

The employees' compensation of the Group includes basic salary, bonuses, cash subsidies and equity-settled share awards. 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 contributions and continuing efforts for promoting 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 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 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 recognises 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 a stock exchange and the general regulatory and environment 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 on a quarterly basis, such as corporate culture training and initial training for new employees in order to improve employees' knowledge in a number of important areas of our services. Internal training programs of our Group are dynamic and are 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 of the Stock Exchange, 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 respectively. 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 of 30 June 2022, such proceeds from the placing was fully utilized by the Group.

On 20 June 2022, the Company completed the Rights Issue to raise net proceeds of approximately HK\$138.1 million (equivalent to approximately RMB118.1 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 30 June 2022, the net proceeds from the Rights Issue have not been utilized but deposited into a licenced bank in Hong Kong. The Company aims to commence the use of the net proceeds of the Right Issue within 12 months from the date of this report 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.

MANDATORY UNCONDITIONAL CASH OFFER AND PUBLIC FLOAT

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**") 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.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 21 November 2016.

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 and rewards for their contributions and continuing efforts for promoting the interest of 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 15 December 2016 (the “ Listing Date ”), the date on which the shares of the Company were listed on GEM of the Stock Exchange and approximately 6.4% of the total number of Shares in issue as at the date of this report). |
| 4. | Subscription price | <p>The subscription price shall be a price determined by the Board, but in any case shall not be less than the highest of:</p> <ul style="list-style-type: none"> (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 | Options granted may be accepted by the eligible person within 28 days from the date of the grant of options. |
| 7. | Option period | A period which may expire no 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. | Remaining life of the Share Option Scheme | As at 30 June 2022, the remaining life of the Share Option Scheme was approximately 4 years and 3 months (expiring on 20 November 2026). |

Since the adoption of the Share Option Scheme and up to the date of this report, no share option has been granted, exercised, lapsed and cancelled pursuant to the Share Option Scheme. As at 1 January 2022 and 30 June 2022 and up to the date of this report, the Company 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 a 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 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.
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 rules relating to the Share Award Scheme adopted by the Board (the “**Scheme Rules**”), the Share Award 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; or
 - (ii) 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 award, or enter into any agreement to do so.

OTHER INFORMATION

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 2021 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 30 June 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 Scheme does not constitute a share option scheme within the meaning of Chapter 17 of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 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 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 30 June 2022, the Shareholders (other than Directors and the chief executive 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 Shareholders	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:

- As at 30 June 2022, the Company had 762,000,000 Shares in issue.
- 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.
- Phoenix Wealth (Hong Kong) Asset Management Limited is incorporated in Hong Kong and is wholly-owned by Phoenix Wealth Investment (Holdings) Limited.
- 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 30 June 2022, the Company has not been notified by any persons (other than the Directors or chief executive 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 pursuant to 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 EXECUTIVE'S INTERESTS IN SHARES" above, at no time during the six months ended 30 June 2022 and up to the date of this report, have the Directors and chief executive 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).

COMPETING INTERESTS

During the six months ended 30 June 2022 and up to the date of this report, none of the Directors or the controlling Shareholders 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 or has any conflicts of interest which has or may have with the Group.

DEED OF NON-COMPETITION BY FORMER 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.

CORPORATE GOVERNANCE

During the six months ended 30 June 2022, the Company has applied the principles of and is in compliance with all code provisions of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules 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. 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 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

CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company since the publication of the 2021 annual report of the Company and the announcements dated 7 April 2022, 1 June 2022 and 6 June 2022 which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Mr. Shi Zhimin, an executive Director, Chief Executive Officer and Chairman, was appointed as (a) a legal representative and director in Licorne Intelligent (Shenzhen) Information Technologies Company Limited* (百澤智慧(深圳)信息科技有限公司) and (b) a legal representative and director in Licorne Shanghui (Shanghai) Technologies Company Limited* (百澤尚慧(上海)科技有限公司), with effect from 25 July 2022 and 21 July 2022, respectively, both of which are indirect wholly-owned subsidiaries of the Company.

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

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct for dealing in securities of the Company by the Directors.

The Company has made specific enquiry to all Directors, who have confirmed that, during the six months ended 30 June 2022, each of them were in compliance with the Model Code.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any securities of the Company during the six months ended 30 June 2022.

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 in compliance with Rules 3.21 and 3.22 of the Listing Rules and the code provision C.3.3 of the 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 six months ended 30 June 2022, none of the members of the Audit Committee are former partners of the Company’s existing external auditors.

The Group’s financial results for the six months ended 30 June 2022 have not been reviewed by the Company’s auditor but have been reviewed by the Audit Committee with the management. The Audit Committee 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.

EVENTS AFTER THE REPORTING PERIOD

There is no significant event subsequent to 30 June 2022 which would materially affect the Group’s operating and financial performance as at the date of this report.

ACKNOWLEDGEMENT

The Board would like to take this opportunity to express its gratitude to all shareholders and business associates for their continuous support and to all employees for their dedication and contribution to the Group.

* *For identification purpose only*

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

Hong Kong, 29 August 2022

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
REVENUE	5	45,695	42,274
Cost of sales		(21,858)	(18,625)
Gross profit		23,837	23,649
Other income and gains	5	3,639	2,738
Selling and distribution expenses		(6,249)	(4,832)
Research and development expenses		(14,306)	(11,988)
Administrative expenses		(10,269)	(6,267)
Impairment losses on financial and contract assets, net		93	44
Other expenses		(44)	(99)
Finance costs		(188)	(172)
(LOSS)/PROFIT BEFORE TAX	6	(3,487)	3,073
Income tax expenses	7	372	(55)
(LOSS)/PROFIT FOR THE PERIOD		(3,115)	3,018
OTHER COMPREHENSIVE INCOME		–	–
TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE PERIOD		(3,115)	3,018
Attributable to:			
Owners of the parent		(2,769)	2,928
Non-controlling interests		(346)	90
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted			
– For (loss)/profit for the period (RMB cents)		(0.53)	0.58

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
NON-CURRENT ASSETS			
Property and equipment	9	830	552
Right-of-use assets		947	1,864
Other intangible assets		12,373	14,626
Contract assets	12	3,036	3,036
Long term deposit		–	276
Total non-current assets		17,186	20,354
CURRENT ASSETS			
Inventories	10	9,578	3,384
Trade and bills receivables	11	30,106	25,593
Contract assets	12	91,554	92,374
Prepayments, other receivables and other assets		11,246	8,436
Pledged deposit	13	4,200	6,100
Cash and cash equivalents	13	167,688	64,061
Total current assets		314,372	199,948
CURRENT LIABILITIES			
Trade and bills payables	14	2,183	2,111
Other payables and accruals		16,485	20,173
Interest-bearing bank borrowings		10,000	10,000
Lease liabilities		1,207	1,718
Tax payable		66	396
Total current liabilities		29,941	34,398
NET CURRENT ASSETS		284,431	165,550
TOTAL ASSETS LESS CURRENT LIABILITIES		301,617	185,904
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,155	2,058
Other payables and accruals		–	119
Lease liability		–	72
Total non-current liabilities		1,155	2,249
Net assets		300,462	183,655
EQUITY			
Issued capital	15	6,686	4,514
Treasury shares		–	(2,509)
Reserves		292,325	179,853
Capital and reserves attributable to the owners of the parent		299,011	181,858
Non-controlling interests		1,451	1,797
Total equity		300,462	183,655

Shi Zhimin
Director

Guan Haiqing
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 June 2022

	Issued capital	Treasury shares	Share Award reserve	Share premium	Capital reserve	Statutory surplus reserve	Retained profits	Subtotal	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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 period	-	-	-	-	-	-	2,928	2,928	90	3,018
Total comprehensive income for the period	-	-	-	-	-	-	2,928	2,928	90	3,018
Transfer from retained profits	-	-	-	-	-	696	(696)	-	-	-
Deemed disposal of partial interest in a subsidiary	-	-	-	-	-	-	-	-	-	-
Shares repurchased for the share award scheme	-	(5,018)	-	-	-	-	-	(5,018)	-	(5,018)
At 30 June 2021 (Unaudited)	4,514	(5,018)	-	76,581	30,621	13,454	57,385	177,537	1,138	178,675
At 1 January 2022	4,514	(2,509)	1,008	76,581	30,710	13,893	57,661	181,858	1,797	183,655
Loss for the period	-	-	-	-	-	-	(2,769)	(2,769)	(346)	(3,115)
Total comprehensive loss for the period	-	-	-	-	-	-	(2,769)	(2,769)	(346)	(3,115)
Equity settled share award scheme	-	2,509	(666)	-	-	-	-	1,843	-	1,843
Transfer to share premium	-	-	(342)	342	-	-	-	-	-	-
Issuance of new ordinary shares under the Rights Issue	2,172	-	-	117,279	-	-	-	119,451	-	119,451
Share issue expenses	-	-	-	(1,372)	-	-	-	(1,372)	-	(1,372)
At 30 June 2022 (Unaudited)	6,686	-	-	192,830	30,710	13,893	54,892	299,011	1,451	300,462

Note 15

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(3,487)	3,073
Adjustments for:			
Finance costs		188	172
Interest income		(488)	(690)
Depreciation	6	1,012	1,136
Amortization of other intangible assets	6	2,253	1,717
Net foreign exchange differences		(562)	82
Equity-settled share award expense	16	1,843	–
		759	5,490
Increase in inventories		(6,194)	(4,622)
Decrease/(increase) in contract assets		820	(2,257)
Increase in trade and bills receivables		(4,513)	(2,991)
Increase in prepayments and other receivables		(2,498)	(7,870)
Increase/(decrease) in trade payables		72	(1,561)
Decrease in pledged deposits for bills payable		600	–
Decrease in other payables and accruals		(3,807)	(4,294)
Cash used in operations		(14,761)	(18,105)
Interest received		488	690
Income tax paid		(861)	(158)
Net cash flows used in operating activities		(15,134)	(17,573)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property and equipment		(373)	(144)
Additions to other intangible assets		–	(1,981)
Net cash flows used in investing activities		(373)	(2,125)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

		For the six months ended 30 June	
	Notes	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from rights issue	15	118,079	–
Interest paid		(188)	(172)
Decrease in pledged deposits for a short term bank loans		1300	1500
Purchase of shares held under the share award scheme		–	(5,018)
Principal portion of lease payments		(583)	(727)
Increase in rental deposit		(36)	(23)
Net cash flows generated from/(used in) financing activities		118,572	(4,440)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		103,065	(24,138)
Cash and cash equivalents at beginning of period		64,061	85,912
Effect of foreign exchange rate changes, net		562	(82)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		167,688	61,692
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balance	13	171,888	67,192
Pledged time deposits for a short-term bank loan		(4,200)	(5,500)
Cash and cash equivalents as stated in the statement of cash flows		167,688	61,692

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

1. CORPORATE INFORMATION

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

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

The principal activity of the Company is investment holding. The Group are principally engaged in providing APM solutions in the People's Republic of China (the "PRC"). There has been no significant change in the Group's principal activities during the period.

2. BASIS OF PRESENTATION

The interim condensed consolidated financial statements for the six months ended 30 June 2022 has been prepared in accordance with the Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statement, and should be read in conjunction with those of the annual report for the year ended 31 December 2021.

Certain comparative figures have been reclassified so as to conform to the current year's presentation. The reclassification has had no effect on the reported results of operations.

The unaudited consolidated results for the six months ended 30 June 2022 have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

3. NEW STANDARDS, INTERPRETATION AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards and interpretations effective as of 1 January 2022. The adoption of the new standards and amendments does not have a material impact on the accounting policies of the Group, and the amounts reported for the current period and prior periods. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

4. OPERATING SEGMENT INFORMATION

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

Under HKFRS 8 Operating Segments, it is required that operating segments to 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

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Mainland China	44,652	41,986
Others	1,043	288
	45,695	42,274

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

(b) Non-current assets

For the six months ended 30 June 2022, all material non-current assets/capital expenditure of the Group were located/incurred in the Mainland China.

Information about major customers

Revenue of approximately RMB34,555,000 (six months ended 30 June 2021: RMB30,887,000) was derived from sales to a state-owned telecommunication operator group, including sales to a group of entities which are known to be under common control with that group, and accounted for more than 10% of the total revenue for the six months ended 30 June 2022.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the value of provision of APM solutions during the period.

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Integrated APM system solutions	25,451	23,788
Software development services	11,172	10,502
Technical services	6,583	7,202
Sales of embedded hardware and standard APM software	2,488	782
	45,695	42,274
Other income and gains		
Bank interest income	488	690
Government grants – related to expense (<i>Note</i>)	2,589	2,130
Exchange gain/(loss), net	562	(82)
	3,639	2,738

Note: Government grants received from the government of the Mainland China mainly represented the refund of the value added tax previously paid. There are no unfulfilled conditions or contingencies relating to the grants.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

6. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Cost of inventories sold	488	272
Cost of services rendered	9,570	9,996
Employee benefit expenses (excluding directors' and chief executives' remuneration):		
Salaries, allowance and other benefits	26,409	18,275
Pension scheme contributions (defined contribution scheme)	1,238	937
Equity-settled share award expense	1,843	–
	29,490	19,212
Research and development costs	14,306	11,988
Depreciation of property and equipment and right-of-use assets	1,012	1,136
Amortization of other intangible assets	2,253	1,717
Bank interest income	(488)	(690)
Foreign exchange difference, net	(562)	82

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

7. 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 accordingly is not subject to income tax. No Hong Kong profits tax has been provided since no taxable profit arose in Hong Kong during the period.

Pursuant to the PRC Income Tax Law and the respective regulations, Vixtel Technologies Limited is subject to Corporate Income Tax at a rate of 25% on the taxable profit. Preferential tax treatment is available to Vixtel Technologies Limited, which was recognized as a High and New Technology Enterprise in 2010 in PRC and a lower PRC corporate income tax of 15% has been applied since then. The certificate of High and New Technology Enterprise has to be renewed every three years and the Company has to re-apply for it every six years. The Company has re-applied for and obtained the certificate of High and New Technology Enterprise on 15 October 2019.

The income tax expenses of the Group for the reporting period are analysed as follows:

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Current – PRC	531	151
Deferred tax	(903)	(96)
Total tax (credits)/charges for the period	(372)	55

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

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

The calculation of the basic (loss)/earnings per share for the period is based on the (loss)/profit for the period attributable to ordinary equity holders of the parent, and the adjusted weighted average number of ordinary shares of 522,969,613 (six months ended 30 June 2021: 502,732,723) in issue during six months ended 30 June 2022.

There were no potentially dilutive ordinary shares in issue during the six months ended 30 June 2022 and 2021, and therefore the diluted (loss)/earnings per share amount is equivalent to the basic (loss)/earnings per share.

	For the six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
(Loss)/earnings (Loss)/profit attributable to ordinary equity holders of the parent (RMB'000)	(2,769)	2,928
Shares		
Weighted average number of ordinary shares in issue	522,969,613	508,000,000
Weighted average number of shares held for the share award plan	–	(5,267,277)
Adjusted weighted average number of ordinary shares in issue	522,969,613	502,732,723
Basic and diluted (loss)/earnings per share (RMB cents)	(0.53)	0.58

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

9. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired assets with a cost of RMB373,000 (six months ended 30 June 2021: RMB144,000) on additions to property and equipment.

No assets were disposed of by the Group during the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

10. INVENTORIES

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Raw materials	9,578	3,384

11. TRADE AND BILLS RECEIVABLES

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Trade receivables	23,830	25,300
Bills receivable	6,778	789
	30,608	26,089
Impairment	(502)	(496)
Trade and bills receivables	30,106	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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

11. TRADE AND BILLS RECEIVABLES (continued)

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 upon the goods were accepted by the customers, except for new customers where payment in advance is normally required. For technical services, the credit period granted to the customers is normally due upon completion of the service, except for one contract where payment in advance is received.

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

An aged 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:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within 90 days	16,875	14,334
90 to 180 days	7,619	2,978
180 days to 1 year	4,964	5,440
Over 1 year	648	2,841
	30,106	25,593

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

12. CONTRACT ASSETS

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Contract assets arising from:		
Integrated APM system solutions	54,162	64,144
Software development services	30,684	32,416
Sales of embedded hardware and standard APM software	5,262	522
Technical services	6,033	–
Total contract assets	96,141	97,082
Impairment	(1,551)	(1,672)
	94,590	95,410
Analysed into:		
Current portion	91,554	92,374
Non-current portion	3,036	3,036

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

13. CASH AND BANK BALANCES

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Cash and bank balances	171,888	70,161
Less : Restricted bank deposit		
Pledged time deposit for a bank loan	(4,200)	(5,500)
Pledged time deposit for bills payable	-	(600)
Cash and cash equivalents	167,688	64,061
Denominated in:		
RMB	45,315	68,379
HK\$	125,982	1,463
USD	591	319

At the end of the reporting period, the cash and bank balances of the Group were denominated in RMB, HK\$ and US\$. The RMB is not freely convertible into other currencies, however, under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, 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.

14. TRADE PAYABLES

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within 90 days	982	1,128
90 to 180 days	581	497
180 days to 1 year	287	177
Over 1 year	333	309
Total	2,183	2,111

Trade payable are non-interest-bearing and are normally settled within 180-days from acceptance.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

15. ISSUED CAPITAL

	Par value HK\$	No of shares	Nominal value of ordinary shares HK\$'000
Authorized:			
At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	0.01	20,000,000,000	200,000
	No of shares	HK\$'000	RMB'000
Issued and fully paid:			
At 1 January 2021,			
31 December 2021 and 1 January 2022	508,000,000	5,080	4,514
Issuance of new ordinary shares under the Rights Issue (<i>Note</i>)	254,000,000	2,540	2,172
At 30 June 2022	762,000,000	7,620	6,686

Note: The Company completed the Rights Issue on a basis of one Rights Share for every two existing Shares of the Company at a subscription price of HK\$0.55 per Rights Share on 20 June 2022. The 254,000,000 Rights Shares available for subscription were fully subscribed and issued to 19 valid applicants under the Rights Issue. 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\$138.1 million (equivalent to approximately RMB118.1 million).

16. SHARE AWARD SCHEME

The Company adopted the Share Award Scheme on 10 January 2020. 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.

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.

16. SHARE AWARD SCHEME (continued)

The Trustee was considered as an extension of the Company and the shares held for the share award scheme were presented as a component of equity 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 shall be vested in two tranches in accordance with the following dates: (i) 50% of the Award Shares shall be vested on 1 September 2021; and (ii) the remaining 50% will be vested on 31 December 2022.

The Group recognised a share award expense of RMB3,517,000 during the year ended 31 December 2021. As of 31 December 2021, 6,500,000 shares of the Company were held by the Trustee and have yet to be vested.

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.

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 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.

The Group recognised a share award expense of RMB1,843,000 for the six months ended 30 June 2022. As of 30 June 2022, the Trustee did not hold any share of the Company in relation to the Share Award Scheme.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

17. RELATED PARTY TRANSACTIONS

- (a) There was no related party transaction between the Group and its related party during the periods ended 30 June 2022 and 30 June 2021.
- (b) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Fee	–	50
Other emoluments:		
Salaries, allowances and other benefits	3,454	3,147
Pension scheme contributions	164	199
Equity-settled shares award expense	1,154	–
	4,772	3,346
	4,772	3,396

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

18. 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 costs	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Trade and bills receivables	30,106	25,593
Financial assets included in prepayments, other receivables and other assets	4,758	3,211
Pledged deposit	4,200	6,100
Cash and cash equivalents	167,688	64,061
Long term deposit	276	276
	207,028	99,241
	<hr/>	
Financial liabilities at amortised cost	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Trade payables	2,183	2,111
Financial liabilities included in other payables and accruals	540	2,701
Interest-bearing bank and other borrowings	10,000	10,000
Lease liabilities	1,207	1,790
	13,930	16,602

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

20. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

There are no significant event subsequent to 30 June 2022 which would materially affect the Group's operating and financial performance as of the date of this report.

21. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board on 29 August 2022.