# 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: 8342)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**



*This announcement, for which the directors (the "Directors") of Vixtel Technologies Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (2) there are no other matters the omission of which would make any statement herein or this announcement misleading.*

The board of Directors (the "Board") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016 together with the comparative audited figures for the year ended 31 December 2015 as follows:

## FINANCIAL HIGHLIGHTS

| | **2016** | 2015 | CHANGE |
|---|---|---|---|
| | ***RMB'000*** | *RMB'000* | *%* |
| Revenue | **74,255** | 51,529 | +44.1% |
| Gross profit margin (%) | **59.2%** | 60.6% | |
| Profit for the year | **10,221** | 18,331 | -44.2% |
| Net profit margin (%) | **13.8%** | 35.6% | |
| Adjusted by: listing expense | **14,695** | – | N/A |
| Profit for the year before listing expenses | **24,916** | 18,331 | +35.9% |
| Net profit margin (%) before listing expenses | **33.6%** | 35.6% | |
| Cash and bank balances | **89,078** | 20,412 | +336.4% |
| Total equity | **113,053** | 37,362 | +202.6% |

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
*For the year ended 31 December 2016*

| | *Notes* | **2016** *RMB'000* | 2015 *RMB'000* |
|---|---|---|---|
| **REVENUE** | 5 | **74,255** | 51,529 |
| Cost of sales | | **(30,287)** | (20,328) |
| Gross profit | | **43,968** | 31,201 |
| Other income and gains | 5 | **5,263** | 4,485 |
| Selling and distribution expenses | | **(5,401)** | (5,486) |
| Research and development expenses | | **(9,179)** | (3,953) |
| Administrative expenses | | **(21,530)** | (4,507) |
| Finance costs | | **(30)** | (182) |
| **PROFIT BEFORE TAX** | 6 | **13,091** | 21,558 |
| Income tax expense | 7 | **(2,870)** | (3,227) |
| **PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **10,221** | 18,331 |
| **OTHER COMPREHENSIVE INCOME** | | **–** | – |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **10,221** | 18,331 |
| Attributable to: | | | |
| Owners of the parent | | **10,221** | 18,331 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | 9 | | |
| Basic and diluted | | | |
| – For profit for the year | | **RMB2.63 cents** | RMB4.77 cents |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*At at 31 December 2016*

| | Notes | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property and equipment | | **886** | 331 |
| Long term deposits | | **225** | 6 |
| Total non-current assets | | **1,111** | 337 |
| **CURRENT ASSETS** | | | |
| Inventories | | **2,869** | 2,200 |
| Gross amount due from contract customers | *10* | **32,040** | 22,930 |
| Trade receivables | *11* | **23,091** | 14,213 |
| Prepayments, deposits and other receivables | | **1,734** | 1,278 |
| Due from a related party | | **–** | 1,344 |
| Cash and cash equivalents | | **89,078** | 20,412 |
| Total current assets | | **148,812** | 62,377 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | *12* | **7,926** | 7,019 |
| Gross amount due to contract customers | *10* | **328** | 2,647 |
| Other payables and accruals | *13* | **23,566** | 11,762 |
| Due to a related party | | **–** | 212 |
| Tax payable | | **5,050** | 3,712 |
| Total current liabilities | | **36,870** | 25,352 |
| **NET CURRENT ASSETS** | | **111,942** | 37,025 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **113,053** | 37,362 |
| Net assets | | **113,053** | 37,362 |
| **EQUITY** | | | |
| Issued capital | *14* | **4,341** | 65 |
| Reserves | | **108,712** | 37,297 |
| Total equity | | **113,053** | 37,362 |

## NOTES TO THE FINANCIAL STATEMENTS

*31 December 2016*

### 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 P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 December 2016 (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") solutions (the "Listing Business") in the People's Republic of China (the "PRC"). There has been no significant change in the Group's principal activities during the year.

In preparation for the listing of the Company's shares on the GEM of the Stock Exchange (the "Listing"), the Group underwent a corporate reorganisation (the "Reorganisation"), pursuant to which the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 30 November 2016 (the "Prospectus").

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

| Company name | Date and place of incorporation/ registration and place of business | Issued ordinary/ registered share capital | Percentage of equity interests attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| Vixtel Systems Limited | 17 November 2015, British Virgin Islands | US$1 | 100 | – | Investment holding |
| Vixtel Networks Limited | 27 November 2015, Hong Kong | HK$10,000 | – | 100 | Investment holding |
| Sino Impact Company Holding Limited | 30 October 2015, Hong Kong | HK$10,000 | – | 100 | Investment holding |
| Vixtel Technologies Limited | 29 September 2006, PRC | RMB35,882,400 | – | 100 | Provision of APM solutions |

## 2.1 BASIS OF PRESENTATION

As the Reorganisation only involved inserting new holding companies and has not resulted in any change of economic substances, the consolidated financial statements for the year have been presented as a continuation of the existing company using the pooling of interests method as if the Reorganisation had been completed at the beginning of the reporting period.

Accordingly, 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 are prepared as if the current group structure had been in existence throughout the year. The consolidated statement of financial position as at 31 December 2016 presents the assets and the liabilities of the companies now comprising the Group, as if the current group structure had been in existence.

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. The financial statements have been prepared under the historical cost convention. They are presented in Renminbi ("RMB"), and all values are rounded to the nearest thousand except otherwise indicated.

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.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

| | |
|---|---|
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) | *Investment Entities: Applying the Consolidation Exception* |
| Amendments to HKFRS 11 | *Accounting for Acquisitions of Interests in Joint Operations* |
| HKFRS 14 | *Regulatory Deferral Accounts* |
| Amendments to HKAS 1 | *Disclosure Initiative* |
| Amendments to HKAS 16 and HKAS 38 | *Clarification of Acceptable Methods of Depreciation and Amortisation* |
| Amendments to HKAS 27 (2011) | *Equity Method in Separate Financial Statements* |
| Annual Improvements 2012-2014 Cycle | *Amendments to a number of HKFRSs* |

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the Annual Improvements 2012-2014 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

   (i) the materiality requirements in HKAS 1;

   (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

   (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

   (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

   Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its noncurrent assets.

(c) The Annual Improvements to HKFRSs 2012-2014 Cycle issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

## 3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

| | |
|---|---|
| HKFRS 9 | *Financial Instruments*[2] |
| HKFRS 15 | *Revenue from Contracts with Customers*[2] |
| HKFRS 16 | *Leases*[3] |
| Amendments to HKFRS 2 | *Classification and Measurement of Share-based payment*[3] |
| Amendments to HKFRS 4 | *Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2] |
| Amendments to HKFRS 10 and HKAS 28(2011) | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4] |
| Amendments to HKFRS 15 | *Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2] |
| Amendments to HKAS 7 | *Disclosure Initiative*[1] |
| Amendments to HKAS 12 | *Recognition of Deferred Tax Assets for Unrealized Losses*[1] |

[1] *Effective for annual periods beginning on or after 1 January 2017*
[2] *Effective for annual periods beginning on or after 1 January 2018*
[3] *Effective for annual periods beginning on or after 1 January 2019*
[4] *Effective date is yet to be determined.*

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The directors of the Company are currently assessing the possible impact of the above new or revised standards on the Group's results and financial position in the first year of application. Except as described above, the Group anticipates that the application of other new and revised standards will have no material impact on the results and the financial position of the Group.

## 4. OPERATING SEGMENT INFORMATION

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

HKFRS 8 *Operating Segments* requires 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

During the year, the Group operated within one geographical segment because all of its revenue was generated in the PRC and all of its non-current assets/capital expenditure was located/incurred in the PRC. Accordingly, no geographical segment information is presented.

### Information about major customers

Revenue of approximately RMB59,755,000 for the year (2015: RMB37,404,000), was derived from sales to several provincial subsidiaries under common control by a state-owned telecommunication operator group and accounted for more than 10% of the total revenue.

Revenue of approximately RMB10,219,000 during the year (2015: RMB8,741,000) was derived from sales to a particular provincial subsidiary of the state-owned telecommunication operator group and accounted for more than 10% of the total revenue.

## 5. REVENUE, OTHER INCOME AND GAINS

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

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

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Revenue** | | |
| Construction contracts – System integration | **43,420** | 26,740 |
| Construction contracts – Software development | **8,477** | 6,994 |
| Rendering of services | **10,046** | 15,080 |
| Sales of goods – standard hardware and software | **12,312** | 2,715 |
| | **74,255** | 51,529 |
| **Other income and gains** | | |
| Bank interest income | **36** | 26 |
| Government grants – related to expense* | **5,059** | 4,456 |
| Others | **168** | 3 |
| | **5,263** | 4,485 |

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

## 6. PROFIT BEFORE TAX

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

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Cost of inventories sold | **4,859** | 756 |
| Cost of services rendered | **25,428** | 19,572 |
| Employee benefit expense (excluding directors' and chief executives' remuneration): | | |
| Wages and salaries | **18,887** | 14,087 |
| Pension scheme contributions (defined contribution scheme) | **1,979** | 1,044 |
| | **20,866** | 15,131 |
| Research and development costs | **9,179** | 3,953 |
| Depreciation of property and equipment | **395** | 181 |
| Minimum lease payments under operating leases: | | |
| – properties | **1,151** | 770 |
| Listing expense | **14,695** | – |
| Auditors' remuneration | **895** | 41 |
| Bank interest income | **(36)** | (26) |

## 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 assessable profit arose in Hong Kong during the year.

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 the 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 1 December 2016.

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current – PRC | **2,870** | 3,227 |
| Total tax charge for the year | **2,870** | 3,227 |

A reconciliation of the tax expense applicable to profit before tax at the statutory rate of the PRC (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:

| | **2016** *RMB'000* | *%* | 2015 *RMB'000* | *%* |
|---|---|---|---|---|
| Profit before tax | **13,091** | | 21,558 | |
| Tax at the statutory tax rate | **4,679** | **36** | 5,392 | 25 |
| Lower tax rate for a specific entity in the PRC | **(2,964)** | **(23)** | (2,156) | (10) |
| Income not subject to tax | **(732)** | **(6)** | – | – |
| Expenses not deductible for tax* | **2,575** | **20** | 282 | 1 |
| Additional deductible allowance for research and development costs | **(688)** | **(5)** | (291) | (1) |
| Tax charge at the Group's effective rate | **2,870** | **22** | 3,227 | 15 |

* Expenses not deductible for tax for the year ended December 31, 2016 mainly represented the expenses for the Listing which are not deductible according to Hong Kong tax regulation.

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 the PRC. 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 the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by its subsidiary established in the PRC in respect of earnings generated from 1 January 2008.

As at 31 December 2016, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiary established in the PRC. In the opinion of the Directors, the Group's fund will be retained in the PRC for the expansion of the Group's operation, so it is not probable that these subsidiary will distribute such earnings in the foreseeable future. So there was no significant amount of temporary differences associated with the investment in Vixtel Technologies Limited for which deferred tax liabilities have not been recognized.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

## 8. DIVIDENDS

Prior to the Reorganization, dividends of RMB10,000,000 have been declared and paid by Vixtel Technologies Limited, one of the subsidiaries of the Company, to its then shareholders during the year ended 31 December 2016 (2015: Nil). No dividends have been declared by the Company since the date of incorporation.

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share for the year is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 388,228,333 (2015: 383,945,000) in issue during the year.

The number of ordinary shares for the purpose of calculating basic earnings per share has been retrospectively adjusted for the Capitalisation Issue described in note 14 below, as if the shares had been in issue throughout the year presented.

The Group had no potentially diluted ordinary shares in issue during the years ended 31 December 2016 and 2015.

The calculations of basic and diluted earnings per share are based on:

| | **2016** | 2015 |
|---|---|---|
| **Earnings** | | |
| Profit attributable to ordinary equity holders of the parent (RMB'000) | **10,221** | 18,331 |
| **Shares** | | |
| Weighted average number of ordinary shares in issue | **388,228,333** | 383,945,000 |
| Basic and diluted earnings per share | **RMB2.63 cents** | RMB4.77 cents |

## 10. CONSTRUCTION CONTRACTS

| | **2016** *RMB'000* | 2015 *RMB'000* |
|---|---|---|
| Gross amount due from contract customers | **32,040** | 22,930 |
| Gross amount due to contract customers | **(328)** | (2,647) |
| | **31,712** | 20,283 |
| Contract costs incurred plus recognized profits | **79,738** | 50,945 |
| Less: Progress billings | **(48,026)** | (30,662) |
| | **31,712** | 20,283 |

## 11. TRADE RECEIVABLES

| | **2016** *RMB'000* | 2015 *RMB'000* |
|---|---|---|
| Trade receivables | **23,091** | 14,213 |

Trade receivables represented the outstanding contracted values for construction contracts, sale of goods and rendering of services receivable from the customers. The Group's trading terms with its customers are mainly on credit. For construction contracts, 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 construction. The forms of acceptance evidence the satisfaction from the customers of the progress of construction. For sale of goods, the credit period granted to the customers is normally 30 to 60 days upon the goods were accepted by the customers. For rendering of services, the credit period granted to the customers is normally due upon completion of the service. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise the 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 large number of largest state-owned telecommunications operators in the PRC and its 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, is as follows:

| | 2016 | 2015 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Within 90 days | **17,874** | 12,374 |
| 90 to 180 days | **2,718** | 656 |
| 180 to 1 year | **2,299** | 566 |
| Over 1 year | **200** | 616 |
| | **23,091** | 14,213 |

An aged analysis of the trade receivables that are past due but not individually nor collectively considered to be impaired is as follows:

| | 2016 | 2015 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Neither past due nor impaired | **14,534** | 11,108 |
| Less than 6 months past due | **6,276** | 2,360 |
| 6 to 12 months past due | **2,192** | 493 |
| Over 12 months past due | **89** | 252 |
| | **23,091** | 14,213 |

Receivables past due but not impaired mainly related to a large number of provincial subsidiaries of a state-owned telecommunication operator in the PRC for whom there was no recent history of default.

### 12. 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:

| | 2016 | 2015 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Within 90 days | **7,063** | 3,304 |
| 90 to 180 days | **74** | 1,047 |
| 180 to 1 year | **769** | 2,421 |
| Over 1 year | **20** | 247 |
| Total | **7,926** | 7,019 |

Trade payable are non-interest-bearing and are normally settled on 180-days terms.

## 13. OTHER PAYABLES AND ACCRUALS

| | 2016 | 2015 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Salary and welfare payable | **7,771** | 5,899 |
| Other tax payable | **6,306** | 4,872 |
| Other payables | **8,546** | 370 |
| Advance from customers | **943** | 621 |
| | **23,566** | 11,762 |

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

## 14. SHARE CAPITAL

| | 2016 | 2015 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Issued and fully paid: | | |
| 486,745,000 (2015:7,800,000) ordinary shares of HK$0.01 each | **4,341** | 65 |

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

| | *Note* | **Number of shares in issue** | **Issued capital** | **Share premium account** | **Total** |
|---|---|---|---|---|---|
| | | | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2015 | | | | | |
| Issue of shares | | 7,800,000 | 65 | – | 65 |
| At 31 December 2015 and 1 January 2016 | | 7,800,000 | 65 | – | 65 |
| Addition of paid-in capital | *(a)* | 1,859,540 | 15 | 14,440 | 14,455 |
| Capitalisation Issue | *(b)* | 374,285,460 | 3,343 | (3,343) | – |
| Share issue under Initial Public Offering ("IPO") | *(c)* | 102,800,000 | 918 | 66,823 | 67,741 |
| | | 486,745,000 | 4,341 | 77,920 | 82,261 |
| Share issue expenses | | – | – | (6,726) | (6,726) |
| At 31 December 2016 | | **486,745,000** | **4,341** | **71,194** | **75,535** |

*Note:*

(a) Pursuant to the agreement, Great Belief Investments Limited agreed to subscribe for 482,970 new shares in consideration of RMB8,617,000, such subscription was completed on 8 July 2016.

Pursuant to the agreement, Sino Impact Company Holding Limited ("Sino Impact HK") agreed to subscribe for 15% of the entire registered capital of Vixtel Technologies Limited as enlarged by such subscription in consideration of RMB5,838,000, the consideration was fully paid by Sino Impact HK on 6 July 2016. On the same day, the Company issued 1,376,470 new shares to Sino Impact Company Limited ("Sino Impact BVI") in exchange for its 100% equity interest in Sino Impact HK.

(b) Pursuant to the written resolutions of the shareholders passed on 30 September 2016 (the "Resolutions"), the Directors were authorised to capitalise ("Capitalisation Issue") an amount of RMB3,343,000 (original amount of HK$3,743,000) from the amount standing to the credit of the share premium account of the Company to pay up in full at par 374,285,460 shares for allotment and issue to the person(s) whose name(s) appears on the register of members of the Company on the date of the written resolutions (or as they may direct) on a pro rata basis.

(c) In connection with the Company's Listing, 102,800,000 shares of HK$0.01 each were issued at a price of HK$0.74 per share for a total cash consideration, before listing expense, of approximately RMB67,741,000 (original amount of HK$76,072,000). Dealings of these shares on the Stock Exchange commenced on 15 December 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND OUTLOOK

The Group is a market leader in China's APM industry and is also the only China-based APM products and services provider which provides solutions to a commodity exchange in the PRC. The Group is principally engaged in the following businesses: (i) system integration services; (ii) software development services; (iii) technical services; and (iv) sales of standard hardware and software.

The Shares were successfully listed on GEM on 15 December 2016 (the "Listing"). Since the Listing, the Group has a stronger financial position. In the coming year, the Group will continue to seize the opportunity of the blooming APM market in China to promote business development and consolidate the Company's position as a leading company in the APM industry.

For the year of 2016, the Group's operations and business have achieved a significant growth when compared with those of in 2015. The revenue of the Group has increased by approximately 44.1% from approximately RMB51.5 million for the year ended 31 December 2015 to approximately RMB74.3 million for the year ended 31 December 2016.

## OUTLOOK

The Company will continue to invest in research and development to promote the integration of newly designed version with our customers' specific systems and network environment of APM technology in order to adapt to the strong demand for APM products from cloud computing and Internet of Things ("IoT") and to expand the user base.

The Company plans to expand the APM business from large enterprises to small and medium enterprises through the new Software-as-a-service ("SaaS") platform and to enhance the growth of the APM online service revenue of the Company. The Company has clear development goals and will continue to follow the products and investment strategies set out in the Prospectus:

For the telecom operator APM business, the Group plans to:

1. develop the application of APM technologies in OTT and IPTV video, seize the current trend of rapid development of online video services and expand the Company's market share and revenue in the industry.

2. invest in big data analysis technologies, make full use of accumulated millions of user data of the Company and provide customers with value-added services based on user behavior, user portrait and user perception.

In SaaS, the focus is on:

1. improving the channels and means of marketing, establishing a sub-industry and multi-level distributor system and expanding the user base.

2. establishing partnerships with leading companies in converged communications, CDN and cloud computing industry and promoting the Company's online services through system integration approach. In overseas markets, the Company will carefully examine countries and regions which are suitable for the Company's products and sales channels, and take Southeast Asia as the core place to promote the Company's products and services.

## FINANCIAL REVIEW

### Revenue

The Group's revenue for the year ended 31 December 2016 amounted to approximately RMB74.3 million, representing a significant growth of approximately RMB22.7 million or 44.1% as compared that of approximately RMB51.5 million recorded for the year ended 31 December 2015. The increase was mainly attributable to the combined effect of: (i) the increase in revenue generated from system integration services of approximately RMB16.7 million; (ii) the increase in revenue generated from provision of software development services of approximately RMB1.5 million; and (iii) the increase in revenue generated from provision of sales of standard hardware and software of approximately RMB9.6 million.

The following analysis sets forth a breakdown of the Group's revenue by service type for the year ended 31 December 2015 and 2016, respectively:

### System integration services

This segment provides system integration services by tailor-making our APM products to allow our customers to better manage and monitor their applications and networks. The Group has recorded a significant growth in revenue generated from system integration services of approximately 62.4% from approximately RMB26.7 million for the year ended 31 December 2015 to approximately RMB43.4 million for the year ended 31 December 2016. This was primarily due to an expansion of our customer base to cover more customers in telecommunications industry as well as the radio and television industry, through our continuing marketing efforts and word-of-mouth and personal references among the customers.

### Software development services

The Group's software development services typically involve developing customized supporting software for upgrade and expansion of the APM products already integrated with our customers' systems and networks. Our revenue derived from software development services has increased by approximately 21.2% from approximately RMB7.0 million for the year ended 31 December 2015 to approximately RMB8.5 million for the year ended 31 December 2016. Such increases was primarily due to the increased customer base in the past years which has created an increasing demand for software development services to upgrade and expand their existing APM systems.

### Technical services

This segment provides operational support for our APM products, system maintenance, network analysis and optimization, and research study of specific topics on application and network performance. Our revenue derived from technical services decreased by approximately 33.4% from approximately RMB15.1 million for the year ended 31 December 2015 to approximately RMB10.0 million for the year ended 31 December 2016. Such decrease was primarily attributable to our allocation of more resources to the promotion of new products and technologies of our system integration services.

**Sales of standard hardware and software**

We from time to time sell hardware and standard APM products we purchased from third parties to customers who do not require tailor-making services. Our revenue generated from the sales of standard hardware and software increased by approximately 353.5% from approximately RMB2.7 million for the year ended 31 December 2015 to approximately RMB12.3 million for the year ended 31 December 2016. Such increase was primarily due to the fact that one of our customers has deployed huge amount of hardware agents to fully cover their province for the Internet application performance monitoring and management.

**Cost of sales**

The Group's cost of sales increased by approximately 49.0% from approximately RMB20.3 million for the year ended 31 December 2015 to approximately RMB30.3 million for the year ended 31 December 2016, which was in line with the increase in our revenue. The increase was primarily due to (1) higher labor costs resulting from an increased headcount and compensation base; and (2) higher hardware costs derived from the increased business volume in system integration services.

**Gross profit and gross profit margin**

The Group's gross profit increased by approximately 40.9% from approximately RMB31.2 million for the year ended 31 December 2015 to approximately RMB44.0 million for the year ended 31 December 2016. The increase was primarily due to the increase in business volume of system integration services. The Group's gross profit margin decreased slightly from approximately 60.6% for the year ended 31 December 2015 to approximately 59.2% for the year ended 31 December 2016. Such decrease was primarily due to the increase in business volume of the sales of standard hardware and software which in general have a lower gross profit margin than the other types of services due to its relatively high cost of sales.

**Other income and gains**

The Group recorded other income and gains of approximately RMB4.5 million and approximately RMB5.3 million for the year ended 31 December 2015 and 2016, respectively. The increase was due to the increased VAT refund which is in line with our business growth.

**Selling and distribution expenses**

The Group's selling and distribution expenses decreased by approximately 1.5% from approximately RMB5.5 million for the year ended 31 December 2015 to approximately RMB5.4 million for the year ended 31 December 2016. Such decrease was primarily due to the increased customer install base in the past few years, where more revenue are derived from the upgrade and expansion of existing systems rather than from new customers. The selling and distribution expenses for the expansion contracts of existing customers is much less than contracts from new customers. The Company also imposed stricter control on sales expenses. Thus, the total selling and distribution expenses decreased for the year ended 31 December 2016.

**Research and development expenses**

The Group's research and development ("R&D") expenses increased by approximately 132.2% from approximately RMB4.0 million for the year ended 31 December 2015 to approximately RMB9.2 million for the year ended 31 December 2016. Such increase was primarily due to the increase in the purchase of equipment to conduct tests for new R&D project in relation to the development of SaaS platform.

**Administrative expenses**

The Group's administrative expenses increased by approximately 377.7% from approximately RMB4.5 million for the year ended 31 December 2015 to approximately RMB21.5 million for the year ended 31 December 2016 which was primarily due to the incurrence of the one-off Listing expenses of approximately RMB14.7 million.

**Listing expenses**

The Group recorded an one-off Listing expenses of approximately RMB14.7 million in 2016 which was included in administrative expenses.

**Finance costs**

The Group's finance costs decreased by approximately 83.5% from approximately RMB0.2 million for the year ended 31 December 2015 to approximately RMB0.03 million for the year ended 31 December 2016. The decrease was primarily due to the repayment of bank loans in 2015.

**Profit before tax**

As a result of the one-off Listing expenses and the foregoing reasons, the Group's profit before tax decreased by approximately 39.3% from approximately RMB21.6 million for the year ended 31 December 2015 to approximately RMB13.1 million for the year ended 31 December 2016.

**Income tax expense**

The Group's income tax expenses decreased by approximately 11.1% from approximately RMB3.2 million for the year ended 31 December 2015 to approximately RMB2.9 million for the year ended 31 December 2016. The huge investment incurred in R&D in 2016 resulted in an additional 50% of R&D costs being deductible from the taxable income. The Group's effective tax rate was approximately 15.0% and 21.9% for the same periods, respectively. The higher effective income tax rate in 2016 was due to the one-off Listing expenses incurred which reduced our profit before tax.

**Profit for the year**

As a result of the foregoing reasons, the Group's net profit decreased by approximately 44.2% from approximately RMB18.3 million for the year ended 31 December 2015 to approximately RMB10.2 million for the year ended 31 December 2016. The decrease was primarily due to the one-off Listing expenses incurred. The Group's net profit margin decreased from approximately 35.6% for the year ended 31 December 2015 to approximately 13.8% for the year ended 31 December 2016, primarily due to the one-off Listing expenses incurred.

**Profit for the year excluding one-off Listing expenses**

The Group's net profit excluding one-off Listing expenses increased by approximately 35.9% from approximately RMB18.3 million for the year ended 31 December 2015 to approximately RMB24.9 million for the year ended 31 December 2016. The Group's net profit margin excluding the one-off Listing expenses decreased from approximately 35.6% for the year ended 31 December 2015 to approximately 33.6% for the year ended 31 December 2016 as a result of the increase in R&D expenses.

## LIQUIDITY AND FINANCIAL RESOURCES

For the year ended 31 December 2016, the Group mainly financed the capital expenditures and working capital requirements through cash generated from operations and capital injection from its shareholders.

The Group's net current assets increased from approximately RMB37.0 million as at 31 December 2015 to approximately RMB111.9 million as at 31 December 2016. Our cash and cash equivalents also increased from approximately RMB20.4 million as at 31 December 2015 to approximately RMB89.1 million as at 31 December 2016.

As of 31 December 2016, the Group had no borrowings and thus no gearing ratio was calculated. The calculation of gearing ratio is based on the total borrowings divided by total equity and multiplied by 100.0%.

## EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's main operations are in the PRC 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$"). 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 year ended 31 December 2016. However, the management will closely monitor foreign exchange risk to ensure appropriate measures are implemented in a timely and effective manner. In this respect, the Group is not exposed to any significant foreign currency exchange risk in its operation.

## CAPITAL STRUCTURE

The Shares of the Company were successfully listed on GEM on 15 December 2016. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises ordinary shares.

As at 31 December 2016, the Company's issued share capital was HK$4,867,450 and the number of its issued ordinary shares was 486,745,000 of HK$0.01 each.

## OPERATING LEASE COMMITMENTS

As at 31 December 2016, the Group had operating lease commitments in respect of rented office of approximately RMB1.0 million (2015: RMB0.4 million).

## CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2016 (2015: Nil).

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group did not have any plans for material investments and capital assets.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

As at 31 December 2016, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

## SIGNIFICANT INVESTMENTS AND ACQUISITION OF CAPITAL ASSETS

During the year under review, the Group did not hold any significant investments nor made any significant acquisition of capital assets.

## CHARGE ON GROUP'S ASSETS

As at 31 December 2016, the Group had no charges on the Group's assets.

## EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As of 31 December 2016, the Group had 201 employees. The staff costs, including Directors' emoluments was approximately RMB22.9 million for the year ended 31 December 2016 (2015: approximately RMB16.8 million).

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

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

The Company recognizes the importance of keeping the Directors updated with the latest information of duties and obligations of a director of a company which shares are listed on the Stock Exchange and the general regulatory requirements and environment 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 improve 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

The net proceeds from the Listing as disclosed in the Prospectus was approximately HK$57.4 million.

These proceeds are designated for the purposes in accordance with the future plans as set out in the Prospectus., which is (i) approximately 30.0% of the net proceeds, or HK$17.2 million (equivalent to approximately RMB15.3 million), to be used to further solidify our leadership in China's APM market; (ii) approximately 40.0% of the net proceeds, or HK$23.0 million (equivalent to approximately RMB20.4 million), to be used to continue to strengthen in-house research and development capabilities; (iii) approximately 20.0% of the net proceeds, or HK$11.5 million (equivalent to approximately RMB10.2 million), to be used to leverage growth opportunities in China and strategically expand into certain overseas markets; and (iv) approximately 10.0% of the net proceeds, or HK$5.7 million (equivalent to approximately RMB5.1 million), to be used to fund general corporate purposes.

As at 31 December 2016, the Group did not utilize the proceeds from the Listing and all of the proceeds have been deposited into a bank account maintained by the Group. The proceeds will be utilised in accordance with the section headed "Future Plans and Use of Proceeds" set out in the Prospectus.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

***For the period from 21 November 2016, being the latest practicable date prior to the printing of the Prospectus (the "Latest Practicable Date") to 31 December 2016***

| Business Strategy | Business objectives for the period since the Latest Practicable Date to 31 December 2016 | Actual business progress during the year ended 31 December 2016 |
|---|---|---|
| Further solidify our leadership in China's APM market | Increase the number of customers to which we provide on-site technical support through cross-selling and continued marketing efforts | Four additional technical support Engineer with substantial experience were recruited. The cost incurred in the recruitment of additional staff was funded by our internal resources instead of the net proceeds from the Listing due to the short period of time from the Latest Practicable Date to 31 December 2016 |
| | Participate in major promotional events held by the relevant industry organizations and organize free online or on-site training and expert speaker sessions to broaden our customer awareness of our products and services | The Group is in the process of identifying promotional events in the industry to participate. |

| Business Strategy | Business objectives for the period since the Latest Practicable Date to 31 December 2016 | Actual business progress during the year ended 31 December 2016 |
|---|---|---|
| Continue to strengthen in-house R&D capabilities | Recruit additional talented R&D personnel | Four additional R&D engineers with substantial experience were recruited. The cost incurred in the recruitment of additional staff was funded by our internal resources instead of the net proceeds from the Listing due to the short period of time from the Latest Practicable Date to 31 December 2016. |
| Leverage growth opportunities in China and strategically expand into certain overseas markets | Expand in-house sales and marketing team to cover more customers in the telecommunication industry and financial industry | A sales team with substantial experience in the financial services industry was setup to explore more market opportunities. The cost incurred was funded by our internal resources instead of the net proceeds from the Listing due to the short period of time from the Latest Practicable Date to 31 December 2016. |

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Since the shares of the Company were listed on GEM on 15 December 2016, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any securities of the Company during the year ended 31 December 2016 save for those related to the Reorganisation.

## 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 business operation and financial position of the Group. The Board as a whole is responsible to ensure that the Group is in compliance with the relevant laws and regulations. To the best knowledge of the Board, the Group has complied with relevant laws and regulations during the year ended 31 December 2016.

## EVENTS AFTER THE REPORTING PERIOD

There is no significant event after the reporting period of the Group.

## CORPORATE GOVERNANCE PRACTICES

The Group's corporate governance practices are based on the principles and the code provisions in the Corporate Governance Code (the "Code") as set out in Appendix 15 to the GEM 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 period from the Listing Date to 31 December 2016, the Company has complied with all applicable code provisions of the Code contained in Appendix 15 to the GEM Listing Rules.

## DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

## CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Friday, 28 April 2017 (the "AGM"). For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 24 April 2017 to Friday, 28 April 2017, both days inclusive, during which period no transfer of shares of the Company 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, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 21 April 2017.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Code of Conduct"). The Company has made specific enquiries with all Directors and the Directors confirmed that they have complied with the Code of Conduct from the Listing Date and up to the date of this annual report.

## SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2016 as set out in this announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts as set out in the Group's audited consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressly given by Ernst & Young on this announcement.

## AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established on 21 November 2016 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and the code provision C.3.3 of the Code. The Audit Committee comprises three independent non-executive Directors, namely Mr. Cheung Hon Fai, Professor Lam Kin Man and Mr. Shen Qi. The chairman of the Audit Committee is Mr. Cheung Hon Fai, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules. None of the members of the Audit Committee are former partners of the Company's existing external auditors.

From the Listing Date to the date of this announcement, the Audit Committee had reviewed the Group's financial results for the year ended 31 December 2016 with the management and is of the view that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

By order of the Board
**Vixtel Technologies Holdings Limited**
**Yue Yong**
*Chairman and executive Director*

Hong Kong, 15 March 2017

*As at the date of this announcement, the executive Directors are Mr. Yue Yong, Mr. Sie Tak Kwan and Mr. Guan Haiqing; the non-executive Director is Mr. Liang Judong; and the independent non-executive Directors are Mr. Cheung Hon Fai, Professor Lam Kin Man and Mr. Shen Qi.*

*This announcement will remain on the Stock Exchange's website at www.hkexnews.hk on the "Latest Company Announcements" page for at least seven days from the date of its posting. This announcement will also be published on the Company's website at www.vixtel.com.*