



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



2017 Interim Report



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This report, 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 report is accurate and complete in all material respects and not misleading or deceptive; (2) there are no other matters the omission of which would make any statement herein or this report misleading, and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This report 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 report will also be published on the Company’s website at www.vixtel.com.



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BOARD OF DIRECTORS

Executive Directors

Mr. Yue Yong (*Chairman*)
Mr. Sie Tak Kwan (*Chief Executive Officer*)
Mr. Guan Haiqing (*Chief Sales Officer*)

Non-executive Director

Mr. Liang Judong

Independent Non-executive Directors

Mr. Cheung Hon Fai
Professor Lam Kin Man
Mr. Shen Qi

COMPANY SECRETARY

Ms. Hui Yin Shan (*ACIS, ACS*)

COMPLIANCE OFFICER

Mr. Sie Tak Kwan

COMPLIANCE ADVISER

KGI Capital Asia Limited

AUTHORISED REPRESENTATIVES

Mr. Sie Tak Kwan
Ms. Hui Yin Shan (*ACIS, ACS*)

AUDIT COMMITTEE

Mr. Cheung Hon Fai (*Chairman*)
Professor Lam Kin Man
Mr. Shen Qi

REMUNERATION COMMITTEE

Professor Lam Kin Man (*Chairman*)
Mr. Cheung Hon Fai
Mr. Shen Qi
Mr. Sie Tak Kwan

NOMINATION COMMITTEE

Mr. Cheung Hon Fai (*Chairman*)
Professor Lam Kin Man
Mr. Shen Qi
Mr. Sie Tak Kwan

INDEPENDENT AUDITOR

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

REGISTERED OFFICE

P.O. Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS IN THE PRC

4/F, Block 2
Founder Building
9 Shangdi Fifth Street
Haidian District
Beijing
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
PO Box 1350, Clifton House 75 Fort Street
Grand Cayman KY1-1108 Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADVISER

F. Zimmern & Co.

PRINCIPAL BANKER

Industrial and Commercial Bank of China Beijing
Zhongguancun Subbranch

WEBSITE ADDRESS

www.vixtel.com

INVESTOR RELATIONS CONTACT

Email address: info@vixtel.com
Telephone: +8610 62982318

STOCK CODE

8342



FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2017, the operations and business of Vixel Technologies Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) have achieved significant growth when compared with those for the six months ended 30 June 2016.

- Revenue for the six months ended 30 June 2017 amounted to approximately RMB52,035,000, representing an increase of approximately 58.3% from approximately RMB32,876,000 for the six months ended 30 June 2016.
- Profit attributable to owners of the Company for the six months ended 30 June 2017 amounted to approximately RMB7,672,000, representing an increase of approximately 53.2% from the profit attributable to owners of the Company for the six months ended 30 June 2016 of approximately RMB5,007,000.
- Basic earnings per share for the six months ended 30 June 2017 was approximately RMB1.58 cents (for the six months ended 30 June 2016: basic earnings per share of approximately RMB1.30 cents).
- The Board has resolved to pay interim dividend of HK\$0.60 cents per share for the six months ended 30 June 2017 on 18 September 2017 to the shareholders whose names appear on the register of members of the Company as at 6 September 2017 (for the six months ended 30 June 2016: Nil).



BUSINESS REVIEW AND PROSPECTS

The Group is a market leader in China's APM industry and primarily provides "Application Performance Management (hereinafter "APM") product and service solutions for telecom operators and large enterprises. The Group is principally engaged in the following businesses: (i) system integration services; (ii) software development services; (iii) technical services; and (iv) sales of embedded hardware and standard APM software.

For the past half year, the Company seized the opportunity of the rapid development of the Internet video business and increased its investment in the research and development ("R&D") of relevant businesses. Our efforts in the Internet and online video application performance assurance system were met with success. Currently, the Company has deployed video application performance analysis and assurance systems in the majority of our major operator market, and has commenced video application performance optimization business in reliance on our big data analytics capabilities. For the second half of the year, the Company will further strengthen its technical advantage in Internet media business performance management and further expand our market.

For the six months ended 30 June 2017, the Group's operations and business have achieved a significant growth when compared with those for the six months ended 30 June 2016. The total revenue of the Group has increased by approximately 58.3% from approximately RMB32.9 million for the six months ended 30 June 2016 to approximately RMB52.0 million for the six months ended 30 June 2017.

Due to the seasonality of the industry as well as the constant increase in the market demand for APM systems, the Group believes that our revenue will maintain its incremental momentum for the second half of the year.

OUTLOOK

According to the industry report on the APM market prepared by an independent market research firm commissioned by the Company, the global APM market amounted to approximately US\$2.8 billion. China's APM market is expected to grow at a CAGR of approximately 50.9% since 2015 and will surpass RMB5 billion by 2020. The Group has confidence in the growth of the APM market and development of the APM business.

The Company will continue to increase its investment in the R&D of APM technology and expand our user base. The software-as-a-service ("SaaS") APM service platform of the Company has launched various main modules such as Unified Communication, Cloud Computing, Enterprise LAN and Mobile Internet, able to satisfy the bulk of current mainstream APM market demands. Our products have progressively gained recognition from our clients, demonstrating promising prospect. Our next step will be to focus on channel building and marketing in order to boost our market coverage.

For our telecom operator APM business, business development remains optimal, in particular, robust growth was recorded for the Internet video business. As such, the Group plans to:

1. increase the investment in the R&D for in-depth performance analysis of the Internet video business and continue to expand the Company's market share in Over-the-Top TV/Internet Protocol Television ("OTT/IPTV") APM system; and
2. gradually promote the Company's big data-based intelligent application performance analysis and hone the Company's competitive edge of being driven by big data analysis.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 June 2017 amounted to approximately RMB52.0 million, representing a significant growth of approximately RMB19.1 million or 58.3% as compared with that of approximately RMB32.9 million recorded for the six months ended 30 June 2016. The increase was mainly attributable to the combined effect of: (1) the increase in revenue generated from provision of system integration services of approximately RMB9.4 million; (2) the increase in revenue generated from provision of software development services of approximately RMB4.4 million; (3) the increase in revenue generated from provision of technical services of approximately RMB1.4 million; and (4) the increase in revenue generated from sales of embedded hardware and standard APM software of approximately RMB3.9 million.

The following analysis sets forth a breakdown of the Group's revenue by service type for the six months ended 30 June 2016 and 2017, 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 45.0% from approximately RMB20.9 million for the six months ended 30 June 2016 to approximately RMB30.3 million for the six months ended 30 June 2017. This was primarily due to the expansion of our customers' projects to cover performance analysis of more new Internet applications.

Software development services

The Group's software development services typically involve developing customized 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 163.0% from approximately RMB2.7 million for the six months ended 30 June 2016 to approximately RMB7.1 million for the six months ended 30 June 2017. Such increase 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 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 technical services increased by approximately 46.7% from approximately RMB3.0 million for the six months ended 30 June 2016 to approximately RMB4.4 million for the six months ended 30 June 2017. Such increase was primarily attributable to the development of new technologies; hence our customers require more technical services in response to issues arising from such new technologies as well as relevant optimization services.



Sales of embedded hardware and standard APM software

We sell embedded hardware and standard APM software to customers in need of increased hardware coverage who do not require tailor-made development services. Our revenue derived from sales of embedded hardware and standard APM software increased by approximately 61.9% from approximately RMB6.3 million for the six months ended 30 June 2016 to approximately RMB10.2 million for the six months ended 30 June 2017. Such increase was primarily due to the fact that our existing customers require increased deployment of hardware agents for the Internet application performance monitoring and management with full coverage.

Cost of sales

The Group's cost of sales increased by approximately 47.4% from approximately RMB13.7 million for the six months ended 30 June 2016 to approximately RMB20.2 million for the six months ended 30 June 2017. The increase was primarily due to higher labour costs resulting from an increased compensation base and more headcounts required to deliver more projects for the six months ended 30 June 2017.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 65.6% from approximately RMB19.2 million for the six months ended 30 June 2016 to approximately RMB31.8 million for the six months ended 30 June 2017. The Group's gross profit margin increased from approximately 58.4% for the six months ended 30 June 2016 to approximately 61.2% for the six months ended 30 June 2017. The increase in gross profit and gross profit margin was primarily due to the increase in system integration contracts and software development contracts which have relatively lower R&D cost for contract delivery.

Other income and gains

The Group recorded other income and gains of approximately RMB2.5 million and approximately RMB2.1 million for the six months ended 30 June 2016 and 2017, respectively. The decrease was primarily due to the decrease in government grants received.

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately 50.0% from approximately RMB3.0 million for the six months ended 30 June 2016 to approximately RMB4.5 million for the six months ended 30 June 2017. The increase was primarily due to the increase in business reception expenses derived from higher business volume and the expansion into new markets, as well as higher labour costs resulting from an increased headcount and compensation base.



Research and development expenses

The Group's R&D expenses increased by approximately 395.5% from approximately RMB2.2 million for the six months ended 30 June 2016 to approximately RMB10.9 million for the six months ended 30 June 2017, primarily utilized for the R&D of our Internet video APM system and the network deployment of the SaaS-based APM system. In addition, our labour costs grew noticeably due to increased headcount and compensation base.

Administrative expenses

The Group's administrative expenses decreased by approximately 19.4% from approximately RMB9.3 million for the six months ended 30 June 2016 to approximately RMB7.5 million for the six months ended 30 June 2017. The decrease was primarily due to the absence of listing expenses of the Company for the six months ended 30 June 2017.

Profit before tax

As a result of the foregoing reasons, the Group's profit before tax increased by approximately 46.2% from approximately RMB6.5 million for the six months ended 30 June 2016 to approximately RMB9.5 million for the six months ended 30 June 2017.

Income tax expenses

The Group's income tax expenses increased by approximately 20.0% from approximately RMB1.5 million for the six months ended 30 June 2016 to approximately RMB1.8 million for the six months ended 30 June 2017. The increase was primarily due to increase of profit before tax. However the increase rate of income tax expenses is lower than that of profit before tax because there was more non-deductible expenses recorded in the Group's overseas subsidiaries for the six months ended 30 June 2016.

Net profit

As a result of the foregoing reasons, the Group's net profit increased by approximately 53.2% from approximately RMB5.0 million for the six months ended 30 June 2016 to approximately RMB7.7 million for the six months ended 30 June 2017. The increase was primarily due to the increase in operating income.



LIQUIDITY AND FINANCIAL RESOURCES

For the six months ended 30 June 2017, the Group mainly satisfied its capital expenditures and working capital requirements with operating cash flow.

As at 30 June 2017, the Group's net current assets increased to approximately RMB119.4 million from approximately RMB111.9 million as at 31 December 2016. As at 30 June 2017, the Group's cash and cash equivalents amounted to approximately RMB30.2 million (as at 31 December 2016: approximately RMB89.1 million).

As at 30 June 2017, the Group had RMB26.0 million of time deposit with original maturity of over three months recorded as short-term investment.

As at 30 June 2017, 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 currency exchange and no hedging transaction or forward contract arrangement was made by the Group during the six months ended 30 June 2017. In this respect, the Group is not exposed to any significant foreign currency exchange risk in its operation. However, the management will closely monitor foreign exchange risk to ensure that appropriate measures are implemented in a timely and effective manner.

CAPITAL STRUCTURE

The shares of the Company were successfully listed on GEM of the Stock Exchange 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 30 June 2017, 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.

COMMITMENTS OR CONTINGENT LIABILITIES

As at 30 June 2017, the Group had no material commitments or contingent liabilities (2016: Nil).

DIVIDENDS

The Board resolved to declare interim dividend of HK\$0.60 cents per share for the six months ended 30 June 2017, which would be paid around 18 September 2017 to the shareholders whose names appear on the register of members of the Company as at 6 September 2017 (2016: Nil).

Before the Reorganization, subsidiaries of the Company declared dividend of approximately RMB10 million to their shareholders for the six months ended 30 June 2016.



CLOSURE OF THE REGISTER OF MEMBERS

For determining the entitlement to interim dividend, the register of members of the Company will be closed from 4 September 2017 to 6 September 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, 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 1 September 2017.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

For the six months ended 30 June 2017, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

SIGNIFICANT INVESTMENTS AND ACQUISITION OF CAPITAL ASSETS

For the six months ended 30 June 2017, the Group did not hold any significant investments nor made any significant acquisition of capital assets.

CHARGE ON ASSETS

For the six months ended 30 June 2017, the Group had no charges on the Group's assets.

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

For the six months ended 30 June 2017, the Group had 244 employees. The staff costs including Directors' emoluments was approximately RMB20.8 million (for the six months ended 30 June 2016: approximately RMB12.2 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 conditionally 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 whose shares are listed on a 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 improving staff knowledge in a number of important areas of our services, on a quarterly basis. Internal training programs of our Group are also dynamic and tailored in accordance with the particular stage of the Group's development.

USE OF PROCEEDS

The shares of the Company were listed on GEM of the Stock Exchange on 15 December 2016 (the "Listing Date"), of which 102,800,000 new shares of HK\$0.74 each were issued by the Company. The net proceeds from the listing of the Company, after deduction of the underwriting fees and other related expenses, was approximately HK\$57.4 million. The Company intends that the proceeds be applied in the manner as described under the section headed "Future Plans and Use of Proceeds" in the Prospectus.

The future plans and the planned use of proceeds disclosed in the Prospectus were based on the Group's best estimate on the future market condition during the preparation of the Prospectus, and the proceeds have been applied taking into consideration the actual business and market development. As at the date of this report, the Group expects that the planned use of proceeds from the listing will remain unchanged. Most of the unutilized net proceeds have been deposited into a bank account maintained by the Group.

As at 30 June 2017, net proceeds from the listing have been applied and utilized as follows:

Use of net proceeds	Planned amount as presented in the Prospectus (HK\$ million)	Approximate percentage of total net proceeds	Actual utilized amount as at 30 June 2017 (HK\$ million)	Unutilized net proceeds as at 30 June 2017 (HK\$ million)
Further solidify our leadership in China's APM market	17.22	30%	1.73	15.49
Continue to strengthen in-house R&D capabilities	22.96	40%	2.28	20.68
Leverage growth opportunities in China and strategically expand into certain overseas markets	11.48	20%	1.15	10.33
Fund general corporate purposes	5.74	10%	0.52	5.22
Total	57.40	100%	5.68	51.72



COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

For the period from 1 January 2017 to 30 June 2017

Business strategy	Business objectives for the period from 1 January 2017 to 30 June 2017	Actual business progress during the six months ended 30 June 2017
Further solidify our leadership in China's APM market	Improve the functionalities and add new features for our existing products	Data mining system based on big data analysis was added to existing flagship products. Frontend load balancing feature was enhanced, capable of sustaining millions of monitoring points and providing the basis for Internet of Things support of the system. Content Delivery Network on IPIV ("CDN") performance analysis was strengthened to support rapid CDN development.
	Enter into additional sales agreements for system integration projects with major customers through continued marketing efforts	Negotiations with existing customers were conducted regarding the entering into of new procurement agreements to purchase other products of the Company, in addition to upgrading original systems and expanding their capacity. Additional sales agreements are expected to be executed successively during the second half of the year.
	Participate in major marketing 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 has participated in marketing events and exhibitions held by relevant industry organizations during the period and plans to participate in other marketing events during the second half of the year to broaden our customer awareness of our products and services.



Business strategy	Business objectives for the period from 1 January 2017 to 30 June 2017	Actual business progress during the six months ended 30 June 2017
Continue to strengthen inhouse R&D capabilities	Recruit additional talented R&D personnel	Multiple experienced R&D engineers were additionally recruited to strengthen our in-house R&D capabilities
	Develop new products and contents	<p>A user perception test on Android and IOS App was developed on SaaS platform.</p> <p>SQM, an industry leading OTT/IPTV end-to-end management platform was developed.</p> <p>A cloud computing central APM system for both private and public cloud applications was developed.</p>
Leverage growth opportunities in China and strategically expand into certain overseas markets	Recruit additional service specialists to further expand our technical support service department into 31 provinces and regions in China	Additional technical service engineers were recruited to optimize technical support and advisory services provided to the clients.
	Set up an overseas development department consisting of R&D, sales and technical support service members specialized in overseas markets such as Asia-Pacific countries	Agreements were signed with various overseas and domestic partners to jointly exploit opportunities in new markets.



SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 21 November 2016 to provide incentives and rewards to eligible persons for their contribution to, and continuing efforts to promote the interest of, the Group.

Details of the Share Option Scheme are as follows:

1. Purpose of the Share Option Scheme The purpose of the Share Option Scheme is to enable the Company to grant options to eligible persons as incentives or rewards for their contribution to the Group.
2. Who may join Any eligible employee (full time or part-time), executive director, non-executive director and independent non-executive director, advisor and consultant of the Group.
3. Total number of shares available for issue under the Share Option Scheme and percentage to the issued share capital as at the date of this report 48,674,500 Shares (equivalent to 10% of the total issued share capital as at the date of this report).
4. Subscription Price The subscription price shall be a price determined by the Board, but in any case shall not be less than the highest of:
 - (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of the grant, which must be a trading day;
 - (ii) the average closing price per share as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the grant; and
 - (iii) the nominal value of a share on such date of grant.
5. Maximum entitlement of each participant The total number of Shares issued and to be issued upon exercise of options granted in any 12-month period to a participant under this Share Option Scheme and other schemes must not exceed 1% of the Shares in issue.
6. Time of acceptance An offer of the grant of option may be accepted by an eligible person within 28 days from the date of the offer of grant of options.
7. Option period A period which may not expire later than 10 years from the date of the offer, to be determined and notified by the 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.



Since the adoption of the Share Option Scheme and up to the date of this report, no share options have been granted pursuant to the Share Option Scheme. The Company did not have any outstanding share options, warrants, derivatives or securities which are convertible or exchangeable into Shares as at 30 June 2017 and up to the date of this report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2017, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company and 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 are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

LONG POSITION IN SHARES

Name of Directors	Capacity/nature of interests	Number of Shares held	Approximate percentage of shareholding
Mr. Yue Yong (Notes 1 and 2)	Interest in a controlled corporation; interest held jointly with another person	310,040,000	63.70%
Mr. Sie Tak Kwan (Notes 1 and 3)	Interest in a controlled corporation; interest held jointly with another person	310,040,000	63.70%
Mr. Guan Haiqing (Notes 1 and 4)	Interest in a controlled corporation; interest held jointly with another person	310,040,000	63.70%
Mr. Liang Judong (Notes 1 and 5)	Interest in a controlled corporation; interest held jointly with another person	310,040,000	63.70%

Notes:

- Pursuant to the deed of concert parties dated 11 August 2016 as supplemented by a supplemental deed dated 10 November 2016, Mr. Yue Yong, Mr. Sie Tak Kwan, Mr. Guan Haiqing and Mr. Liang Judong confirm, agree and acknowledge, among other things, that they are parties acting in concert in respect of the Group since 29 December 2010. As such, pursuant to the deed of concert parties, each of Mr. Yue Yong, Mr. Sie Tak Kwan, Mr. Guan Haiqing and Mr. Liang Judong is deemed to be interested in 63.70% of the issued share capital of the Company.
- Shares in which Mr. Yue Yong is interested consist of (i) 103,335,000 Shares held by Worldgate Ventures Limited, a company wholly-owned by him, in which Mr. Yue Yong is deemed to be interested under the SFO; and (ii) 206,705,000 Shares in which Mr. Yue Yong is deemed to be interested as a result of being a party acting-in-concert with Mr. Sie Tak Kwan, Mr. Guan Haiqing and Mr. Liang Judong.
- Shares in which Mr. Sie Tak Kwan is interested consist of (i) 103,335,000 Shares held by Cohort Investments Limited, a company wholly-owned by him, in which Mr. Sie Tak Kwan is deemed to be interested under the SFO; and (ii) 206,705,000 Shares in which Mr. Sie Tak Kwan is deemed to be interested as a result of being a party acting-in-concert with Mr. Yue Yong, Mr. Guan Haiqing and Mr. Liang Judong.



OTHER INFORMATION

4. Shares in which Mr. Guan Haiqing is interested consist of (i) 72,365,000 Shares held by Copious Link Investments Limited, a company wholly-owned by him, in which Mr. Guan Haiqing is deemed to be interested under the SFO; and (ii) 237,675,000 Shares in which Mr. Guan Haiqing is deemed to be interested as a result of being a party acting-in-concert with Mr. Sie Tak Kwan, Mr. Yue Yong and Mr. Liang Judong.
5. Shares in which Mr. Liang Judong is interested consist of (i) 31,005,000 Shares held by Hugemind Investments Limited, a company wholly-owned by him, in which Mr. Liang Judong is deemed to be interested under the SFO; and (ii) 279,035,000 Shares in which Mr. Liang Judong is deemed to be interested as a result of being a party acting-in-concert with Mr. Sie Tak Kwan, Mr. Yue Yong and Mr. Guan Haiqing.

Save as disclosed above, as at 30 June 2017 and the date of this report, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations that 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 as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 30 June 2017, shareholders (other than the 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 shall be required to be recorded in the register kept by the Company pursuant to section 336 of the SFO, were as follows:

Long position in Shares

Name of Shareholders	Capacity/nature of interests	Number of Shares held	Approximate percentage of Shareholding (Note 1)
Worldgate Ventures Limited (Note 2)	Beneficial owner	103,335,000	21.23%
Ms. Li Duan (Note 3)	Interest of spouse	310,040,000	63.70%
Cohort Investments Limited (Note 4)	Beneficial owner	103,335,000	21.23%
Ms. Chen Baozhu (Note 5)	Interest of spouse	310,040,000	63.70%
Copious Link Investments Limited (Note 6)	Beneficial owner	72,365,000	14.87%
Ms. Gu Wei (Note 7)	Interest of spouse	310,040,000	63.70%
Hugemind Investments Limited (Note 8)	Beneficial owner	31,005,000	6.37%
Ms. Bai Xiaoqian (Note 9)	Interest of spouse	310,040,000	63.70%
Sino Impact Limited	Beneficial owner	54,710,000	11.24%
Mr. Kwan Shan (Note 10)	Interest in a controlled corporation; Interest of spouse	54,710,000	11.24%
Ms. Tam Suk Fan Sindy (Note 10)	Interest in a controlled corporation; Interest of spouse	54,710,000	11.24%



Notes:

1. As at 30 June 2017, the Company had 486,745,000 Shares in issue.
2. Worldgate Ventures Limited is wholly-owned by Mr. Yue Yong. Under the SFO, Mr. Yue Yong is deemed to be interested in the Shares held by Worldgate Ventures Limited.
3. Ms. Li Duan is the spouse of Mr. Yue Yong. Under the SFO, Ms. Li Duan is deemed to be interested in the same number of Shares in which Mr. Yue Yong is interested.
4. Cohort Investments Limited is wholly-owned by Mr. Sie Tak Kwan. Under the SFO, Mr. Sie Tak Kwan is deemed to be interested in the Shares held by Cohort Investments Limited.
5. Ms. Chen Baozhu is the spouse of Mr. Sie Tak Kwan. Under the SFO, Ms. Chen Baozhu is deemed to be interested in the same number of Shares in which Mr. Sie Tak Kwan is interested.
6. Copious Link Investments Limited is wholly-owned by Mr. Guan Haiqing. Under the SFO, Mr. Guan Haiqing is deemed to be interested in the Shares held by Copious Link Investments Limited.
7. Ms. Gu Wei is the spouse of Mr. Guan Haiqing. Under the SFO, Ms. Gu Wei is deemed to be interested in the same number of Shares in which Mr. Guan Haiqing is interested.
8. Hugemind Investments Limited is wholly-owned by Mr. Liang Judong. Under the SFO, Mr. Liang Judong is deemed to be interested in the Shares held by Hugemind Investments Limited.
9. Ms. Bai Xiaoqian is the spouse of Mr. Liang Judong. Under the SFO, Ms. Bai Xiaoqian is deemed to be interested in the same number of Shares in which Mr. Liang Judong is interested.
10. Mr. Kwan Shan and Ms. Tam Suk Fan Sindy, each holds 50% of Sino Impact Limited, which directly holds 54,710,000 Shares. By virtue of the SFO, Mr. Kwan Shan and Ms. Tam Suk Fan Sindy are deemed to be interested in the 54,710,000 Shares in which Sino Impact Limited is interested.

Save as disclosed above, as at 30 June 2017, the Company has not been notified by any persons (other than the Directors or chief executives of the Company) who held an interest or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which shall be required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Share Option Scheme" and "Directors' and chief executives' interests and short positions in Shares" above, at no time during the six months ended 30 June 2017 and up to the date of this report, have Directors and chief executives of the Company and their respective close associates (as defined in the GEM Listing Rules) had any interest in, or had been granted or had exercised any rights to subscribe for shares or underlying shares of the Company and/or its associated corporations (within the meaning of the SFO).



OTHER INFORMATION

COMPETING INTERESTS

During the six months ended 30 June 2017, none of the Directors or the controlling shareholders of the Company or their respective associates (as defined in the GEM 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 conflict of interest which any such person has or may have within the Group.

DEED OF NON-COMPETITION BY CONTROLLING SHAREHOLDERS

On 21 November 2016, Cohort Investments Limited, Copious Link Investments Limited, Hugemind Investments Limited, Worldgate Ventures Limited, Mr. Yue Yong, Mr. Sie Tak Kwan, Mr. Guan Haiqing and Mr. Liang Judong (the “**Controlling Shareholders(s)**”) 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 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 and 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 the Prospectus.

Each Controlling Shareholder has confirmed to the Company of his/its compliance with the Deed of Non-Competition for the six months ended 30 June 2017. 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 Controlling Shareholders for the six months ended 30 June 2017.

CORPORATE GOVERNANCE

The Group’s corporate governance practices are based on the principles of good governance 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.

For the six months ended 30 June 2017, the Company has complied with all applicable code provisions of the Code as contained in Appendix 15 to the GEM Listing Rules. The Board will review the existing corporate governance structure from time to time and will make and report to the shareholders appropriate changes when necessary.



THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 5.46 to 5.67 of the GEM Listing Rules (the “**Code of Conduct**”). The Company has made specific enquiries with all Directors who confirmed their compliance with the required standards for transactions as set out in the Code of Conduct for the six months ended 30 June 2017.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2017.

INTERESTS OF THE COMPLIANCE ADVISER

As confirmed by the Group’s compliance adviser, KGI Capital Asia Limited (the “**Compliance Adviser**”), for the six months ended 30 June 2017, none of the Compliance Adviser or its directors, employees or associates (as defined in the GEM Listing Rules) had any interest in the share capital of the Group or any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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 auditors.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed the matters with the management relating to auditing, internal control and financial reporting. The Group’s unaudited interim condensed consolidated financial statements and interim report for the six months ended 30 June 2017 have been reviewed by the Audit Committee, who believes that such results were prepared in accordance with applicable accounting standards and regulations and have been adequately disclosed.

EVENTS AFTER THE REPORTING PERIOD

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

By order of the Board
Vixtel Technologies Holdings Limited
Yue Yong
Chairman

Hong Kong, 8 August 2017

As at the date of this report, 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.



REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the board of directors of Vixel Technologies Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements of Vixel Technologies Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 21 to 38, which comprise the interim condensed consolidated statement of financial position as at 30 June 2017, and the interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six months then ended, and explanatory notes. The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim condensed consolidated financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "*Interim Financial Reporting*" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" ("HKSRE 2410") issued by the HKICPA. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong

8 August 2017

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



For the six months ended 30 June 2017

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
REVENUE	5	25,841	16,958	52,035	32,876
Cost of sales		(9,405)	(7,334)	(20,192)	(13,733)
Gross profit		16,436	9,624	31,843	19,143
Other income and gains	5	1,542	2,115	2,094	2,527
Selling and distribution expenses		(1,598)	(1,543)	(4,462)	(3,045)
Research and development expenses		(6,735)	(1,063)	(10,858)	(2,242)
Administrative expenses		(4,252)	(4,881)	(7,526)	(9,307)
Other expenses		(1,133)	(596)	(1,571)	(602)
PROFIT BEFORE TAX	6	4,260	3,656	9,520	6,474
Income tax expense	7	(1,058)	(713)	(1,848)	(1,467)
PROFIT FOR THE PERIOD		3,202	2,943	7,672	5,007
OTHER COMPREHENSIVE INCOME		–	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		3,202	2,943	7,672	5,007
Attributable to:					
Owners of the parent		3,202	2,943	7,672	5,007
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8				
Basic and diluted					
– For profit for the period		RMB0.66 cents	RMB0.77 cents	RMB1.58 cents	RMB1.30 cents



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2017

	Notes	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
NON-CURRENT ASSETS			
Property and equipment	10	1,342	886
Long term deposits	14	28	225
Total non-current assets		1,370	1,111
CURRENT ASSETS			
Inventories	11	2,007	2,869
Gross amount due from contract customers	12	63,027	32,040
Trade receivables	13	23,845	23,091
Prepayments, deposits and other receivables	14	4,771	1,734
Short-term deposits	15	26,038	–
Cash and cash equivalents	15	30,167	89,078
Total current assets		149,855	148,812
CURRENT LIABILITIES			
Trade payables	16	8,606	7,926
Gross amount due to contract customers	12	159	328
Other payables and accruals	17	20,020	23,566
Tax payable		1,715	5,050
Total current liabilities		30,500	36,870
NET CURRENT ASSETS		119,355	111,942
TOTAL ASSETS LESS CURRENT LIABILITIES		120,725	113,053
Net assets		120,725	113,053
EQUITY			
Issued capital	18	4,341	4,341
Reserves		116,384	108,712
Total equity		120,725	113,053

Yue Yong
Director

Sie Tak Kwan
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY



30 June 2017

Attributable to owners of the parent

	Issued capital	Share premium	Capital reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 18					
At 1 January 2016	65	–	30,674	662	5,961	37,362
Profit for the period	–	–	–	–	5,007	5,007
Total comprehensive income for the period	–	–	–	–	5,007	5,007
Transfer from retained profits	–	–	–	1,226	(1,226)	–
At 30 June 2016 (Unaudited)	65	–	30,674	1,888	9,742	42,369
At 1 January 2017	4,341	71,194	30,674	3,339	3,505	113,053
Profit for the period	–	–	–	–	7,672	7,672
Total comprehensive income for the period	–	–	–	–	7,672	7,672
Transfer from retained profits	–	–	–	1,296	(1,296)	–
At 30 June 2017 (Unaudited)	4,341	71,194	30,674	4,635	9,881	120,725



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

		For the six months ended 30 June	
	Notes	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		9,520	6,474
Adjustments for:			
Interest income		(123)	(36)
Depreciation	6	317	126
Net foreign exchange differences		992	–
		10,706	6,564
Decrease/(increase) in inventories		860	(571)
(Increase)/decrease in gross amount due from contract customers		(30,987)	949
Increase in trade receivables		(754)	(14,311)
(Increase)/decrease in prepayments, deposits and other receivables		(3,008)	3,022
Increase in amount due from related parties		–	(4,494)
Decrease in long term deposits		196	6
Increase/(decrease) in trade payables		678	(1,016)
Decrease in gross amount due to contract customers		(167)	(2,646)
(Decrease)/increase in advances from customers		(446)	1,099
Increase in other payables and accruals		3,044	3,111
Increase in amounts due to related parties		–	3,507
Cash used in operations		(19,878)	(4,780)
Interest received		20	36
Income tax paid		(5,183)	(2,249)
Net cash flows from operating activities		(25,041)	(6,993)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property and equipment		(697)	(533)
Investments in short-term deposits		(26,038)	–
Net cash flows used in investing activities		(26,735)	(533)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS



For the six months ended 30 June 2017

	For the six months ended 30 June	
<i>Notes</i>	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	–	(4,300)
Payments of listing expenses	(6,143)	–
Net cash flows used in financing activities	(6,143)	(4,300)
NET DECREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of the period	89,078	20,412
Effect of foreign exchange rate changes, net	(992)	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	30,167	8,586
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balance	30,167	8,586
<i>15</i>		
Cash and cash equivalents as stated in the statement of cash flows	30,167	8,586



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

1. CORPORATE INFORMATION

Vixtel Technologies Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 11 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 principal activity of the Company is investment holding. 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 period.

2. BASIS OF PRESENTATION

The interim condensed consolidated financial statements for the six months ended 30 June 2017 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 applicable disclosure requirements of the GEM Listing Rules.

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 2016.

The unaudited consolidated results for the six months ended 30 June 2017 have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

3. SIGNIFICANT ACCOUNTING POLICIES

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 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017. 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.



4. OPERATING SEGMENT INFORMATION

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

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

Information about major customers

Revenue of approximately RMB44,045,000 for six months ended 30 June 2017 (six months ended 30 June 2016: RMB24,786,000) 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 RMB17,386,000 during the period (six months ended 30 June 2016: RMB8,286,000) was derived from sales to two provincial subsidiaries of the state-owned telecommunication operator group and accounted for more than 10% of the total revenue. Details are disclosed as follows:

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Customer A	12,062	3,666
Customer B	5,324	4,620
	17,386	8,286



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

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 three months ended		For the six months ended	
	30 June	2016	30 June	2016
	2017 (Unaudited) RMB'000	(Unaudited) RMB'000	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Revenue				
Construction contracts – System integration	15,621	9,104	30,340	20,868
Construction contracts – Software development	4,285	597	7,061	2,691
Rendering of services	2,754	2,064	4,400	3,001
Sales of embedded hardware and standard APM software	3,181	5,193	10,234	6,316
	25,841	16,958	52,035	32,876
Other income and gains				
Bank interest income	110	6	123	16
Government grants – related to expense*	1,403	2,113	1,942	2,511
Others	29	(4)	29	–
	1,542	2,115	2,094	2,527

* 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 2017

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of inventories sold	3,564	2,448
Cost of services rendered	9,504	3,567
Employee benefit expenses (excluding directors' and chief executives' remuneration):		
Wages and salaries	16,068	9,686
Pension scheme contributions (defined contribution scheme)	1,259	846
	17,327	10,532
Research and development costs	3,690	1,219
Depreciation of property and equipment	317	126
Bank interest income	(123)	(16)
Exchange losses, net	1,540	595



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

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 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 1 December 2016.

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

	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Current – PRC	1,848	1,467
Total tax charges for the period	1,848	1,467



8. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share for the period is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 486,745,000 (six months ended 30 June 2016: 383,945,000) in issue during six months ended 30 June 2017 and 2016.

There were no potentially dilutive ordinary shares in issue during the six months ended 30 June 2017 and 2016, and therefore the diluted earnings per share amount is equivalent to the basic earnings per share.

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

	For the three months ended 30 June		For the six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Earnings				
Profit attributable to ordinary equity holders of the parent (RMB'000)	3,202	2,943	7,672	5,007
Shares				
Weighted average number of ordinary shares in issue	486,745,000	383,945,000*	486,745,000	383,945,000*
Basic and diluted earnings per share	RMB0.66 cents	RMB0.77 cents	RMB1.58 cents	RMB1.30 cents

* The number of ordinary shares for the purpose of calculating basic earnings per share has been retrospectively adjusted as if the 374,285,460 shares issued in capitalization issue had been existing throughout the periods presented.

9. DIVIDENDS

	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Proposed interim – HK0.6 cents per ordinary share (2016: Nil)	2,535	–



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

10. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired assets with a cost of RMB772,000 (six months ended 30 June 2016: RMB622,000) on additions to property and equipment.

No assets were disposed of by the Group during the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

11. INVENTORIES

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Finished goods	–	1,005
Raw materials	2,007	1,864
	2,007	2,869

12. CONSTRUCTION CONTRACTS

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Gross amount due from contract customers	63,027	32,040
Gross amount due to contract customers	(159)	(328)
	62,868	31,712
Contract costs incurred plus recognized profits	89,299	79,738
Less: Progress billings	(26,431)	(48,026)
	62,868	31,712

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



30 June 2017

13. TRADE RECEIVABLES

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Trade receivables	23,845	23,091

Trade receivables represented the outstanding contracted values for construction contracts, sales 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 sales 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 minimize 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 the independently-operated provincial subsidiaries of the largest state-owned telecommunication operators in the Mainland China, 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:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Within 90 days	15,383	17,874
90 to 180 days	4,188	2,718
180 to 1 year	3,611	2,299
Over 1 year	663	200
	23,845	23,091



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Non-current portion		
Rental deposits	28	225
Current portion		
Prepayments	1,672	232
Rental deposits	412	149
Advances to employees	1,167	460
Bidding deposits	608	893
VAT receivables	809	–
Interest receivables	103	–
	4,799	1,959

15. CASH AND BANK BALANCES AND TIME DEPOSITS

		30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Cash and bank balances	<i>(ii)</i>	30,167	89,078
Time deposits		26,038	–
	<i>(i)</i>	56,205	89,078
Less: Short-term deposits		26,038	–
Cash and cash equivalents		30,167	89,078
Denominated in:			
RMB		18,891	26,189
HK\$		11,276	62,889



15. CASH AND BANK BALANCES AND RESTRICTED BANK DEPOSITS

(continued)

- (i) At the end of the reporting period, the cash and bank balances of the Group were denominated in RMB and HK\$. The RMB is not freely convertible into other currencies, however, under the PRC 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 authorized to conduct foreign exchange business.
- (ii) Cash at banks earns interest at floating rates based on daily bank deposit rates.

16. 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 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Within 90 days	5,207	7,063
90 to 180 days	1,529	74
180 to 1 year	1,747	769
Over 1 year	123	20
Total	8,606	7,926

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

17. OTHER PAYABLES AND ACCRUALS

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Salary and welfare payables	6,485	7,771
Other tax payables	10,247	6,306
Other payables	2,792	8,546
Advance from customers	496	943
Total	20,020	23,566

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



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18. ISSUED CAPITAL

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Issued and fully paid:		
486,745,000 (2016:486,745,000) ordinary shares of HK\$0.01 each	4,341	4,341

19. COMMITMENTS

Operating lease commitments

As lessee

The Group leases certain of its offices under operating lease arrangements. Leases for offices were negotiated for terms of 1 years. As at the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Within one year	999	980
In the second to fifth years, inclusive	85	–
	1,084	980

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20. RELATED PARTY TRANSACTIONS

- (a) There was no related party transaction between the Group and its related party during the period ended 30 June 2017 and 30 June 2016.
- (b) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Fee	53	–
Other emoluments:		
Salaries, allowances and benefits in kind	2,649	1,652
Pension scheme contributions	174	39
	2,823	1,691
	2,876	1,691



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21. 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 – loans and receivables	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Trade receivables	23,845	23,091
Financial assets included in prepayments, deposits and other receivables	1,913	1,502
Short-term deposits	26,038	–
Cash and cash equivalents	30,167	89,078
Financial assets included in other non-current assets	28	225
	81,991	113,896

Financial liabilities at amortised cost	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Trade payables	8,606	7,926
Financial liabilities included in other payables and accruals	3,139	8,546
	11,745	16,472

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

23. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 8 August 2017.