Vixtel Technologies Holdings Limited
飛思達科技控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1782)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2019, the operations and business of the Company and its subsidiaries have recorded the following changes when compared with those for the year ended 31 December 2018.

- Revenue for the year ended 31 December 2019 amounted to approximately RMB93,147,000, representing a decrease of approximately 19.1% from approximately RMB115,107,000 for the year ended 31 December 2018.
- Profit attributable to owners of the Company for the year ended 31 December 2019 amounted to approximately RMB12,811,000, representing a decrease of approximately 54.1% from the profit attributable to owners of the Company for the year ended 31 December 2018 of approximately RMB27,893,000.
- Basic earnings per share for the year ended 31 December 2019 was approximately RMB2.52 cents (for the year ended 31 December 2018: basic earnings per share was approximately RMB5.61 cents).
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (final dividend for the year ended 31 December 2018: HK1.20 cents per ordinary share).

The board (the "Board") of directors (the "Directors") of Vixtel Technologies Holdings Limited (the "Company") announced the consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 together with the audited comparative figures for the year ended 31 December 2018 as follow:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	**2019** *RMB'000*	2018 *RMB'000*
REVENUE	*4*	**93,147**	115,107
Cost of sales		**(40,074)**	(45,024)
Gross profit		**53,073**	70,083
Other income and gains	*4*	**10,698**	9,308
Selling and distribution expenses		**(8,934)**	(8,602)
Research and development costs	*5*	**(22,644)**	(18,713)
Administrative expenses		**(15,525)**	(19,896)
Impairment losses on financial and contract assets, net	*5*	**(889)**	(140)
Other expenses		**(76)**	(65)
Finance costs	*6*	**(150)**	–
PROFIT BEFORE TAX	*5*	**15,553**	31,975
Income tax expense	*8*	**(2,742)**	(4,082)
PROFIT FOR THE YEAR		**12,811**	27,893
OTHER COMPREHENSIVE INCOME		**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**12,811**	27,893
Attributable to:			
Owners of the parent		**12,811**	27,893
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic and diluted		**RMB2.52 cents**	RMB5.61 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property and equipment		**482**	1,138
Right-of-use assets		**2,684**	–
Other intangible assets		**9,208**	5,779
Contract assets	*12*	**1,959**	–
Total non-current assets		**14,333**	6,917
CURRENT ASSETS			
Inventories		**1,858**	726
Contract assets	*12*	**90,510**	94,514
Trade and bills receivables	*11*	**18,202**	35,172
Prepayments, other receivables and other assets		**4,878**	2,040
Cash and cash equivalents		**80,873**	70,669
Total current assets		**196,321**	203,121
CURRENT LIABILITIES			
Trade payables	*13*	**6,517**	9,488
Other payables and accruals		**18,787**	24,475
Lease liabilities		**1,658**	–
Tax payable		**1,329**	2,980
Total current liabilities		**28,291**	36,943
NET CURRENT ASSETS		**168,030**	166,178
TOTAL ASSETS LESS CURRENT LIABILITIES		**182,363**	173,095
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**2,714**	1,982
Lease liabilities		**1,073**	–
Total non-current liabilities		**3,787**	1,982
Net assets		**178,576**	171,113
EQUITY			
Issued capital		**4,514**	4,514
Reserves		**174,062**	166,599
Total equity		**178,576**	171,113

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 GEM of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 December 2016.

On 13 February 2018, an application was made by the Company to the Stock Exchange for the transfer of listing from the GEM to the Main Board ("MB") of the Stock Exchange. The approval-in-principle for the transfer of listing has been granted by the Stock Exchange on 21 November 2018 for the shares of the Company to be listed on the Main Board and de-listed from the GEM.

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 in Mainland China (the "PRC"). There has been no significant change in the Group's principal activities during the year.

2.1 BASIS OF PRESENTATION

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*

Except for the amendments to HKFRS 9 and HKAS 19, and Annual Improvements to HKFRSs 2015-2017 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of office premises. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics

- Excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) *RMB'000*
Assets	
Increase in right-of-use assets	2,844
Increase in total assets	2,844
Liabilities	
Increase in lease liabilities	2,844
Decrease in other payables and accruals	(102)
Increase in total liabilities	2,742

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	1,913
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	619
Commitments relating to leases of low-value assets	306
Add: Payments for optional extension periods not recognised as at 31 December 2018	2,055
	3,043
Weighted average incremental borrowing rate as at 1 January 2019	**4.75%**
Discounted operating lease commitments as at 1 January 2019	**2,844**
Lease liabilities as at 1 January 2019	**2,844**

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

Except as described above, no significant change in other accounting policies. The Group does not anticipate that the application of other new and revised HKFRSs and Interpretations will have any impact on the consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

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

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

Geographical information

(a) Revenue from external customers

	2019	2018
	RMB'000	*RMB'000*
Hong Kong	**1,075**	40
Mainland China	**92,072**	115,067
	93,147	115,107

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

(b) Non-current assets

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

Information about major customers

Revenue of approximately RMB79,370,000 for the year (2018: RMB98,371,000) 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.

During the year ended 2019, there is no particular provincial subsidiary of the state-owned telecommunication operator group, from which the sales derived was more than 10% of the total revenue (2018: RMB13,414,000).

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Integrated APM system solutions	**54,649**	71,741
Software development services	**16,079**	16,364
Technical services	**18,238**	17,294
Sales of embedded hardware and standard APM software	**4,181**	9,708
	93,147	115,107

Revenue from contracts with customers

(a) ***Disaggregated revenue information***

	2019	2018
	RMB'000	*RMB'000*
Type of customers		
State-owned telecommunication operator groups	**85,172**	104,352
Other customers	**7,975**	10,755
Total revenue from contracts with customers	**93,147**	115,107

	2019	2018
	RMB'000	*RMB'000*
Timing of revenue recognition		
Goods transferred at a point in time	**4,181**	9,708
Services transferred over time	**88,966**	105,399
Total revenue from contracts with customers	**93,147**	115,107

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

	2019	2018
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Technical services	**225**	441

(b) ***Performance obligations***

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

Integrated APM system solutions and software development services

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

Technical services

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

Sales of embedded hardware and standard APM software

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

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

	2019	2018
	RMB'000	*RMB'000*
Within one year	**20,048**	24,895
After one year	**914**	5,332
	20,962	30,227

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

	2019	2018
	RMB'000	*RMB'000*
Other income		
Bank interest income	**991**	239
Government grants – related to income*	**9,274**	7,131
Foreign exchange differences	**433**	1,934
Others	**–**	4
	10,698	9,308

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

5. PROFIT BEFORE TAX

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

	2019	2018
	RMB'000	*RMB'000*
Cost of inventories sold	**1,559**	4,030
Cost of services rendered	**38,515**	40,994
Depreciation of property and equipment	**766**	836
Depreciation of right-of-use assets	**1,498**	–
Employee benefit expense (excluding directors' and chief executives' remuneration):		
Wages and salaries	**33,479**	34,929
Pension scheme contributions (defined contribution scheme)	**2,381**	3,230
	35,860	38,159
Foreign exchange differences, net	**(433)**	(1,934)
Research and development costs:		
Deferred expenditure amortised	**1,353**	681
Current year expenditure	**22,644**	18,713
	23,997	19,394
Amortisation of other intangible assets*	**1,414**	695
Minimum lease payments under operating leases:		
– properties	**–**	2,127
Lease payments not included in the measurement of lease liabilities	**690**	–
Auditor's remuneration	**1,100**	1,200
Bank interest income	**(991)**	(239)
Impairment of financial and contract assets, net:		
Impairment of trade and bills receivables, net	**(59)**	45
Impairment of contract assets, net	**948**	95

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

6. FINANCE COSTS

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

	2019	2018
	RMB'000	*RMB'000*
Interest on lease liabilities	**150**	–

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

	2019	2018
	RMB'000	*RMB'000*
Fees	**515**	487
Other emoluments:		
Salaries, allowances and benefits in kind	**4,169**	3,453
Pension scheme contributions	**183**	173
	4,352	3,626
	4,867	4,113

8. INCOME TAX

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

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

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

	2019	2018
	RMB'000	*RMB'000*
Current – Mainland China	**2,010**	4,892
Deferred	**732**	(810)
Total tax charge for the year	**2,742**	4,082

9. DIVIDENDS

	2019	2018
	RMB'000	*RMB'000*
Interim – Nil (2018: HK0.60 cents) per ordinary share	**–**	2,661
Final – Nil (2018: HK1.2 cents) per ordinary share	**–**	5,341
	–	8,002

The interim 2018 dividend of HK0.60 cents per ordinary share was paid on 17 September 2018. The final 2018 dividend of HK1.2 cents per ordinary share was paid on 2 July 2019. No dividends had been declared by the Group for the year 2019.

10. 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 owners of the parent, and the weighted average number of ordinary shares of 508,000,000 (2018: 497,372,500) in issue during the year.

The Group had no potentially diluted ordinary shares in issue during the years ended 31 December 2019 and 2018.

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

	2019	2018
Earnings		
Profit attributable to owners of the parent (RMB'000)	**12,811**	27,893
Shares		
Weighted average number of ordinary shares in issue during the year	**508,000,000**	497,372,500
Basic and diluted earnings per share	**RMB2.52 cents**	RMB5.61 cents

11. TRADE AND BILLS RECEIVABLES

	2019 ***RMB'000***	2018 *RMB'000*
Trade receivables	**17,447**	35,311
Bills receivable	**835**	–
	18,282	35,311
Impairment	**(80)**	(139)
Trade and bills receivables	**18,202**	35,172

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

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

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

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

	2019	2018
	RMB'000	*RMB'000*
Within 90 days	**6,377**	19,189
91 to 180 days	**7,184**	6,634
181 to 1 year	**2,352**	7,006
Over 1 year	**2,289**	2,343
	18,202	35,172

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

	2019	2018
	RMB'000	*RMB'000*
At beginning of year	**139**	94
Impairment losses, net *(Note 5)*	**(59)**	45
At end of year	**80**	139

The decrease in the loss allowance of RMB59,000 (2018: RMB45,000) as a result of a net decrease (2018: increase) in the gross carrying amount after the settlement of trade receivables and origination of new trade receivables.

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

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

As at 31 December 2019	**Trade receivables arising from state-owned telecommunication operator groups**	**Trade receivables arising from other customers**	**Total**
Expected credit losses rate	**0.06%**	**4.20%**	
Gross carrying amount (RMB'000)	**16,619**	**1,663**	**18,282**
Expected credit loss (RMB'000)	**10**	**70**	**80**

As at 31 December 2018	Trade receivables arising from state-owned telecommunication operator groups	Trade receivables arising from other customers	Total
Expected credit losses rate	0.06%	1.57%	
Gross carrying amount (RMB'000)	27,489	7,822	35,311
Expected credit loss (RMB'000)	16	123	139

12. CONTRACT ASSETS

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*	1 January 2018 *RMB'000*
Non-current portion			
Contract assets arising from:			
Integrated APM system solutions	**1,387**	–	–
Software development services	**533**	–	–
Sales of embedded hardware and standard APM software	**49**	–	–
	1,969	–	–
Impairment	**(10)**	–	–
	1,959	–	–
Current portion			
Contract assets arising from:			
Integrated APM system solutions	**68,248**	75,053	48,546
Software development services	**18,999**	19,889	17,135
Sales of embedded hardware and standard APM software	**4,567**	–	–
Technical services	**62**	–	–
	91,876	94,942	65,681
Impairment	**(1,366)**	(428)	(333)
	90,510	94,514	65,348

Contract assets are initially recognised for revenue earned from integrated APM system solutions and software development services as the receipt of consideration is conditional on the successful acceptance by the customers. Upon completion of the contracts and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The decrease in contract assets in 2019 was the result of the decrease in integrated APM system solutions and software development services at the end of the year. During the year ended 31 December 2019, RMB948,000 (2018: RMB95,000) was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 11.

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

	2019	2018
	RMB'000	*RMB'000*
Within one year	**84,534**	78,769
After one year	**7,935**	15,745
Total contract assets	**92,469**	94,514

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

	2019	2018
	RMB'000	*RMB'000*
At beginning of year	**428**	333
Impairment losses, net *(Note 5)*	**948**	95
At end of year	**1,376**	428

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

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

	2019 *RMB'000*			
	Contract assets arising from state-owned telecommunication operator groups	**Contract assets arising from other customers**	**Default receivable**	**Total**
Expected credit loss rate	**0.30%**	**1.10%**	**63.28%**	
Gross carrying amount (RMB'000)	**79,810**	**12,455**	**1,580**	**93,845**
Expected credit losses (RMB'000)	**239**	**137**	**1,000**	**1,376**

	2018 *RMB'000*			
	Contract assets arising from state-owned telecommunication operator groups	Contract assets arising from other customers	Default receivable	Total
Expected credit loss rate	0.30%	2.60%	–	
Gross carrying amount (RMB'000)	88,758	6,184	–	94,942
Expected credit losses (RMB'000)	266	162	–	428

13. TRADE PAYABLES

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

	2019 *RMB'000*	2018 *RMB'000*
Within 90 days	**5,477**	8,053
91 to 180 days	**460**	181
181 to 1 year	**498**	1,059
Over 1 year	**82**	195
Total	**6,517**	9,488

Trade payables are non-interest-bearing and are normally settled on 180-day terms.

BUSINESS REVIEW AND OUTLOOK

The Company has successfully transferred listing from GEM to the main board of The Stock Exchange of Hong Kong Limited on 29 November 2018.

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

With the deployment of 5G networks and the development of technologies, APM (Application Performance Management) and NPM (Network Performance Management) have gradually been integrated to form a huge market of ANPM (Application Network Performance Management). In particular, the features related to network security led to more complicated requirements in the NPM technologies, showing stronger momentum for exploding market growth. In order to seize the opportunity, the Group has developed two core product lines and customer bases for each of APM and NPM in 2019. In terms of product lines, the Group's products mainly cover 5G-related APM products, security NPM products and big data-related analysis products. Among them, the Group has already received a number of orders on 5G-related products due to positive response from the market. In terms of NPM products and services on security perception analysis, as another focus of our development, the Group's major customers were a number of major telecommunication operators mainly involving Internet TV security analysis. These orders showed that we have already made significant progress in related businesses.

As technology research and development strengths act as the main support for high-quality products, the Group has increased the investment in the research and development of ANPM on the 5G field in 2019, with the research and development costs accounting for 29.5% (2018: 19.3%) of our revenue. At the end of 2019, we have successively completed the development of 5G ANPM products mainly related to applications of 5G-oriented edge cloud and core network virtualization APM, as well as the delivery of products to our first batch of customers. With the significant acceleration of 5G commercialization in China, applications of 5G technologies in vertical industries became more active and mature. While proactively deploying and developing 5G-related technologies, the Company has also improved its own big data analysis platforms and systems, and has conducted large-scale training on big data analysis for all technical staff. Up to now, more than half of our employees have obtained big data analysis qualifications, which constituted one of the largest data analysis teams in the field of digital home. As evidenced by our practices in 2019, big data products and services of the Company have demonstrated strong competitiveness.

OUTLOOK

As a brand new network system, 5G will bring profound changes in technologies and operating models of telecommunication operators, and show great application potential especially in vertical industries of 5G for a long time to come, such as VR, autonomous driving, telemedicine and industrial Internet. These favorable and sustainable factors in the general environment are expected to create a strong demand for APM related products. With solid technical foundation in performance management, the Group will continuously explore opportunities in the market, and will also attract major commercial customers while maintaining our main customers from telecommunication operators, thus developing a diversified customer base.

Looking forward to 2020, "Enterprise Clouding" will be the most important business opportunity for the IT industry. Enterprises are actively seeking to reduce costs and develop industrial Internet, and deploy their basic systems, services and platforms to the cloud via high-speed Internet. As "Enterprise Clouding" requires extensive performance monitoring, the cloud performance monitoring will become the most approachable business opportunity in the global market. Our industry-leading ANPM related performance management products can effectively meet the demand of "Enterprise Clouding".

With our solid customer base of telecommunication operators in China, the Group will seize the opportunity to explore and promote competitive ANPM products to meet the clouding needs resulting from large public clouds of telecommunication operators and their core customers, i.e. governments and public institutions, as well as the public clouds of Alibaba, Tencent and Huawei and related Internet customers. We can reasonably believe that the cloud application performance monitoring will become a rather promising market for the Company.

In terms of digital homes, at present, as the cable TV in China has basically completed the transformation towards the Internet, content operation and security perception analysis will become another focus of the Company. The Company will continue to promote applications related to big data in the digital homes field, including operation analysis products and security analysis products.

In terms of future deployment, the Group will further enrich its product portfolios and enhance its technological advantages. Therefore, we are confident in the prospect of our business in future.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2019 amounted to approximately RMB93.1 million, representing a decrease of approximately RMB22.0 million or 19.1% as compared with that for the year ended 31 December 2018 (2018: approximately RMB115.1 million). The decrease was mainly attributable to the combined effect of: (i) the decrease in revenue generated from provision of integrated APM system solutions of approximately RMB17.1 million; (ii) the decrease in revenue generated from provision of software development services of approximately RMB0.3 million; (iii) the increase in revenue generated from provision of technical services of approximately RMB0.9 million; and (iv) the decrease in revenue generated from sales of embedded hardware and standard APM software of approximately RMB5.5 million.

The following analysis sets forth a breakdown of the Group's revenue by service type for the year ended 31 December 2018 and 2019 respectively:

Integrated APM system solutions

This segment provides integrated APM system solutions by tailor-making our APM products to allow our customers to better manage and monitor their applications and networks. The Group has recorded a reduction in the revenue generated from integrated APM system solutions of approximately 23.8% from approximately RMB71.7 million for the year ended 31 December 2018 to approximately RMB54.6 million for the year ended 31 December 2019. The decrease was mainly due to the further delay of orders from our major customers who put most of their investment in the 5G network infrastructure in the second half of 2019.

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

Software development services

The Group's software development services typically involve developing customized supporting software for upgrade and expansion of the APM products which are already integrated with our customers' systems and networks. Our revenue derived from the provision of software development services has decreased slightly by approximately 1.7% from approximately RMB16.4 million for the year ended 31 December 2018 to approximately RMB16.1 million for the year ended 31 December 2019.

Technical services

This segment provides operational support, system maintenance, network analysis and optimization of full-chain of internet application and research study of specific topics on application and network performance. Our revenue derived from the provision of technical services has increased by approximately 5.5% from approximately RMB17.3 million for the year ended 31 December 2018 to approximately RMB18.2 million for the year ended 31 December 2019. Such increase was mainly attributable to a rise in customers' demand for the Group's in-depth internet APM analysis and consulting services for improving the application performance of their mobile internet and broadband networks.

Sales of embedded hardware and standard APM software

We have from time to time sold embedded hardware and standard APM software to customers who do not require tailor-making services. Our revenue generated from the sales of embedded hardware and standard APM software has decreased by approximately 56.9% from approximately RMB9.7 million for the year ended 31 December 2018 to approximately RMB4.2 million for the year ended 31 December 2019, mainly due to the fact that certain major customers reduced the purchase of embedded hardware during the new 5G network infrastructure deployment. Therefore, the sales of embedded hardware and standard APM software of the Group without customized services decreased.

Cost of sales

The Group's cost of sales has decreased by approximately 11.0% from approximately RMB45.0 million for the year ended 31 December 2018 to approximately RMB40.1 million for the year ended 31 December 2019, which was basically in line with the decrease in our revenue. The decrease in sales contract and revenue reduced the cost of sales.

Gross profit and gross profit margin

The Group's gross profit has decreased by approximately 24.3% from approximately RMB70.1 million for the year ended 31 December 2018 to approximately RMB53.1 million for the year ended 31 December 2019, mainly due to the decrease in the business volume of integrated APM system solutions and sales of embedded hardware and standard APM software. The gross profit margin of the Group has decreased from approximately 60.9% for the year ended 31 December 2018 to approximately 57.0% for the year ended 31 December 2019. The decrease was mainly due to more delivery and training costs is required for getting familiar with the newly developed products.

Other income and gains

The Group recorded other income and gains of approximately RMB9.3 million and approximately RMB10.7 million for the year ended 31 December 2018 and 2019, respectively. Such increase was mainly due to the increase in the government subsidy income and special funds for research activities.

Selling and distribution expenses

The Group's selling and distribution expenses has increased by approximately 3.9% from approximately RMB8.6 million for the year ended 31 December 2018 to approximately RMB8.9 million for the year ended 31 December 2019. Such increase was primarily due to our enhanced efforts in marketing our 5G APM services and products to enhance broader customers' awareness.

Research and development costs

The Group's research and development ("R&D") costs has increased by approximately 21.0% from approximately RMB18.7 million for the year ended 31 December 2018 to approximately RMB22.6 million for the year ended 31 December 2019. Such increase was primarily due to the intensive investment in 5G R&D.

Administrative expenses

The Group's administrative expenses has decreased by approximately 22.0% from approximately RMB19.9 million for the year ended 31 December 2018 to approximately RMB15.5 million for the year ended 31 December 2019 mainly due to no expenses of transfer of listing to the Main Board during the year ended 31 December 2019.

Profit before tax

The Group's profit before tax has decreased by approximately 51.4% from approximately RMB32.0 million for the year ended 31 December 2018 to approximately RMB15.6 million for the year ended 31 December 2019.

Income tax expenses

The Group's income tax expenses have decreased by approximately 32.8% from approximately RMB4.1 million for the year ended 31 December 2018 to approximately RMB2.7 million for the year ended 31 December 2019. The decrease was primarily due to a decrease in the Group's profit before tax in 2019.

Net profit for the year

As a result of the foregoing reasons, the Group's net profit has decreased by approximately 54.1% from approximately RMB27.9 million for the year ended 31 December 2018 to approximately RMB12.8 million for the year ended 31 December 2019. The Group's net profit margin decreased from approximately 24.2% for the year ended 31 December 2018 to approximately 13.8% for the year ended 31 December 2019. The decrease in the net profit and the net profit margin was mainly due to, among other things, (i) the decrease in revenues of the Group; and (ii) the increase in the R&D expenses of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

For the year ended 31 December 2019 the Group mainly financed the capital expenditures and working capital requirements through cash flow from operations.

The Group's net current assets increased from approximately RMB166.2 million as at 31 December 2018 to approximately RMB168.0 million as at 31 December 2019. Our cash and cash equivalents were approximately RMB80.9 million as at 31 December 2019 (as at 31 December 2018: approximately RMB70.7 million).

As at 31 December 2019, 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%.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's main operations are in China with most of its transactions being settled in RMB. Some of the Group's cash and bank deposits are denominated in Hong Kong dollars ("HK$"). The Group did not experience any impact or difficulties in liquidity on its operations resulting from currency exchange and no hedging transaction or forward contract arrangement was made by the Group during the year ended 31 December 2019. In this respect, the Group is not exposed to any significant foreign currency exchange risk. However, the management of the Company will closely monitor foreign exchange risk to ensure that appropriate measures are implemented in a timely and effective manner.

CAPITAL STRUCTURE

As at 31 December 2019, the Company's issued share capital was HK$5,080,000 and the number of its issued ordinary shares was 508,000,000 of HK$0.01 each. As at the date of this annual results announcement, the share capital of the Company only comprises ordinary shares.

MATERIAL COMMITMENTS OR CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no material commitments and contingent liabilities (2018: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

For the year ended 31 December 2019, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

SIGNIFICANT INVESTMENTS AND ACQUISITION OF CAPITAL ASSETS

For the year ended 31 December 2019, 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 2019, the Group had no charges on the Group's assets.

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As of 31 December 2019, the Group had 196 employees (2018: 203). The staff costs including Directors' emoluments were approximately RMB41.6 million for the year ended 31 December 2019 (2018: approximately RMB45.1 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 adopted a share option scheme (the "Share Option Scheme") on 21 November 2016 to provide incentives and rewards to eligible persons for their contribution to, and continuing efforts to promote the interest of, the Group.

The Company also adopted a share award scheme (the "Share Award Scheme") on 10 January 2020. As of the date of this announcement, no awards have been granted or agreed to be granted what the Share Award Scheme.

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

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

USE OF PROCEEDS

The shares of the Company (the "Shares") were listed on GEM on 15 December 2016 (the "Listing Date"), whereby 102,800,000 new shares were issued at the offer price of HK$0.74 each by the Company. The net proceeds from the Listing, after deduction of the underwriting fees and other related expenses, was approximately HK$58.4 million. The Company intends to apply the proceeds 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 annual results announcement, the planned use of proceeds from the Listing were utilised with the purpose unchanged.

As of 31 December 2019, the net proceeds from the Listing have been applied and utilised as follows:

Use of net proceeds	**Planned amount as presented in the prospectus** *(HK$ million)*	**Approximate percentage of total net proceeds**	**Actual utilised amount as of 31 December 2019** *(HK$ million)*	**Unutilised net proceeds as of 31 December 2019** *(HK$ million)*
Further solidify our leadership in China's APM Market	17.52	30%	17.52	–
Continue to strengthen in-house R&D capabilities	23.36	40%	23.36	–
Leverage growth opportunities in China and strategically expand into certain overseas markets	11.68	20%	11.68	–
Fund general corporate purposes	5.84	10%	5.84	–
Total	58.40	100%	58.40	–

The use of proceeds brought forward from 31 December 2018 is HK$9.75 million. The remaining proceeds have been utilised in the manner as described in the Prospectus during the year of 2019.

On 12 June 2018, following the placing of the Company (the "Placing"), 21,255,000 Shares were allotted and issued, at the price of HK$1.08 per share (market price on 6 June 2018: HK$1.26 per Share). For further information, please refer to the announcements of the Company under stock code 8342 dated 6 June 2018 and 12 June 2018 respectively. The Company's net proceeds from the allotment and issuance of additional Shares (after deducting the underwriting fees and other related expenses) were approximately HK$22.4 million. Such proceeds from the Placing were used to fund general corporate purposes according to the intention previously disclosed. The proceeds brought forward from 31 December 2018 is HK$17 million. As at 31 December 2019, among such proceeds from the Placing, HK$13.8 million was used by the Group and HK$8.4 million was utilised for the year ended 31 December 2019, while the remainder of HK$8.6 million was not used, which will be as a general working capital for the Company to provide APM products and service solutions for telecommunication operators and large enterprises in the next year.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

For the period from 1 January 2019 to 31 December 2019

Business strategy	Business objectives for the period from 1 January 2019 to 31 December 2019	Actual business progress during the year ended 31 December 2019
Further consolidate our leading position in China's APM market	Improve the functionalities and add new features for our existing products	The smart home Internet of Things performance management system of the Company has been connected to more than ten million smart home gateways, with continuous optimization of its functions and addition of new functions to ensure the user experience of smart home and income increase. Different analysis APPs have been established on the big data analysis system, which will further create an open application development community for the system. SaaS system has become a sales tool for the Company to extend its reach to users, which will enhance its usability and attract SME paying users.
	Enter into additional sales agreements for all types of services with major customers through cross-selling and continued marketing efforts	Continued to sign agreements with customers for digital video operation businesses projects and established an independent department to promote data operation this year.
	Participate in major marketing events held by the organizations and organize free online relevant industries or on-site training and expert speaker sessions to broaden our customers' awareness of our products and services	During the Year, we participated in the telecom industry exhibition to enhance customers' awareness of our products and services. The Group planned to continue to participate in marketing events in relevant industries.

Business strategy	Business objectives for the period from 1 January 2019 to 31 December 2019	Actual business progress during the year ended 31 December 2019
Continue to strengthen in-house R&D capabilities	Recruit additional talented R&D personnel	Continued to recruit R&D engineers with relevant experience to strengthen our in-house R&D capabilities.
	Develop new products and contents	5G-oriented network application performance management solutions were developed, which are currently at the stage of trial use by customers. Completed the development of video end-to-end performance monitoring systems to provide all-around assurance for the video business quality and security for customers. A video operation analysis platform was developed to provide digital marketing and marketing analysis services for video content providers.
Leverage growth opportunities in China and strategically expand into certain overseas markets	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	Continuously carried out sales and promotion work for overseas projects, and have successively received relevant orders.
	Promote our new products and services across China	Continuously strengthened the acquisition of partners and the exploration of new market opportunities, and jointly promote new products and services.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any securities of the Company during the year ended 31 December 2019. As at 31 December 2019, there were no outstanding redeemable securities of the Company.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with relevant requirements which could lead to adverse impact on the business operation and financial position of the Group. The Board is responsible for ensuring that the Group is in compliance with the relevant laws and regulations. The laws and regulations which have a significant impact on the Group include, among others, copyright Law of the PRC, the Regulations on Computer Software Protection the Patent Law of the PRC, the Trademark Law of the PRC and the provisions on protection of personal Information of Telecommunication and Internet User. To the best knowledge of the Board, the Group has complied with relevant laws and regulations during the year ended 31 December 2019.

EVENTS AFTER THE REPORTING PERIOD

On 10 January 2020 (the "Adoption Date"), the Company adopted the share award scheme (the "Share Award Scheme") in which any directors (including, without limitation, any executive, non-executive or independent non-executive directors), senior manager and employee of the Group (the "Eligible Person") will be entitled to participate.

The purposes of the Share Award Scheme are: (i) to recognise and motivate the contributions of the Eligible Persons; (ii) to provide them with incentives in order to retain such persons for continual operation and development of the Group; and (iii) to recruit suitable personnel in the interest of further development of the Group through the grant of award as a direct economic benefit to the selected participants.

The Scheme does not constitute a Share Option Scheme or an arrangement analogous to a share option scheme within the meaning of Chapter 17 of the Listing Rules. No shareholders' approval is required for the adoption of the Scheme.

The Share Award Scheme will remain in force for a period of 10 years commencing on its Adoption Date.

The maximum number of awarded shares throughout the duration of the Share Award Scheme is 50,800,000 Shares, being 10% of the issued shares of the Company as at the Adoption Date. The maximum number of shares which may be awarded to a selected Grantee under the Share Award Scheme during any 12-month period is 5,080,000 shares, being 1% of the issued shares of the Company as at the Adoption Date. Details of the Share Award Scheme are set out in the announcement of the Company dated 10 January 2020.

Up to the date of this report, no awards have been granted or agreed to be granted under Share Award Scheme.

A novel strain of coronavirus was detected and has emerged in China since early 2020. The Group has been closely monitoring the impact of the contagious coronavirus disease ("COVID-19"). Meanwhile, no employee of the Group is diagnosed with COVID-19, and the COVID-19 outbreak did not currently have any significant impact on the Group's operations. The Group will keep the contingency measures under supervision as the COVID-19 outbreak situation evolves.

Apart from the above, there is no significant event of The Group after the reporting period.

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 14 to the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules").

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

During the year ended 31 December 2019, the Group has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules and was not aware of any non-compliance relating thereto during the year.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (final dividend for the year ended 31 December 2018: HK1.20 cents per ordinary share).

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting (the "AGM") is scheduled to be held on Friday, 19 June 2020. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 16 June 2020 to Friday, 19 June 2020, 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, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 15 June 2020.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct for dealing in securities of the Company by the Directors.

During the year ended 31 December 2019, The Group has made specific enquiry to all Directors, who have confirmed that, each of them were in compliance with the Model Code.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the results announcement have been agreed by the Group's auditor, Ernst & Young ("EY"), to the amounts set out in the Group's draft consolidated financial statement for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on the results announcement.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established on 21 November 2016 with written terms of reference revised by the Board with effect from 29 November 2018 in compliance with Rules 3.21 and 3.22 of the Listing Rules and the code provision C.3.3 of the Code. 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 3.10(2) and 3.21 of the Listing Rules. None of the members of the Audit Committee are former Staffs of the Company's existing external auditors.

The Group's consolidated financial results for the year ended 31 December 2019 have been reviewed by the Audit Committee and the management of the Company, which were of the view that the preparation of such financial results has complied with the applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 27 March 2020

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.