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 2018

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2018, the operations and business of the Company and its subsidiaries have achieved growth when compared with those for the year ended 31 December 2017.

- Revenue for the year ended 31 December 2018 amounted to approximately RMB115,107,000, representing an increase of approximately 5.5% from approximately RMB109,103,000 for the year ended 31 December 2017.
- Profit attributable to owners of the Company for the year ended 31 December 2018 amounted to approximately RMB27,893,000, representing an increase of approximately 25.8% from the profit attributable to owners of the Company for the year ended 31 December 2017 of approximately RMB22,175,000.
- Profit attributable to owners of the Company before deducting the one-off expenses of transfer of listing of its shares to the Main Board for the year ended 31 December 2018 amounted to approximately RMB30,094,000, representing an increase of approximately 35.7% as compared with that for the year ended 31 December 2017.
- Basic earnings per share for the year ended 31 December 2018 was approximately RMB5.61 cents (for the year ended 31 December 2017: basic earnings per share was approximately RMB4.56 cents).
- The Board has resolved to pay a final dividend of HK1.20 cents per share for the year ended 31 December 2018 out of the share premium account of the Company. Subject to the approval by the shareholders of the Company, the final dividend shall be paid on or about 2 July 2019 to the shareholders whose names appear on the register of members of the Company as at 22 May 2019. Together with an interim dividend of HK0.60 cent per share already paid, total dividend (including the final dividend if approved by the shareholders) for the year of 2018 will amount to HK1.80 cents per share (for the year ended 31 December 2017: HK1.80 cents per share).

The board of Directors (the "**Board**") of Vixtel Technologies Holdings Limited (the "**Company**") is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018 together with the audited comparative figures for the year ended 31 December 2017 as follow:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	4	**115,107**	109,103
Cost of sales		**(45,024)**	(43,023)
Gross profit		**70,083**	66,080
Other income and gains	4	**9,308**	6,201
Selling and distribution expenses		**(8,602)**	(7,864)
Research and development expenses		**(18,713)**	(14,808)
Administrative expenses		**(19,896)**	(15,736)
Impairment losses on financial and contract assets [, net]	5	**(140)**	–
Other expenses		**(65)**	(2,914)
PROFIT BEFORE TAX	5	**31,975**	30,959
Income tax expense	7	**(4,082)**	(8,784)
PROFIT FOR THE YEAR		**27,893**	22,175
OTHER COMPREHENSIVE INCOME		**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**27,893**	22,175
Attributable to:			
Owners of the parent		**27,893**	22,175
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted		**RMB5.61 cents**	RMB4.56 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property and equipment		**1,138**	1,645
Other intangible assets		**5,779**	2,995
Long term deposits		**–**	28
Total non-current assets		**6,917**	4,668
CURRENT ASSETS			
Inventories		**726**	1,691
Construction contracts	*10*	**–**	65,681
Trade, retention and bills receivables	*11*	**35,172**	23,116
Contract assets	*12*	**94,514**	–
Prepayments, other receivables and other assets		**2,040**	2,051
Cash and cash equivalents		**70,669**	74,533
Total current assets		**203,121**	167,072
CURRENT LIABILITIES			
Trade payables	*13*	**9,488**	10,616
Gross amount due to contract customers	*10*	**–**	320
Other payables and accruals		**24,475**	21,289
Tax payable		**2,980**	3,984
Total current liabilities		**36,943**	36,209
NET CURRENT ASSETS		**166,178**	130,863
TOTAL ASSETS LESS CURRENT LIABILITIES		**173,095**	135,531
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,982**	2,856
Total non-current liabilities		**1,982**	2,856
Net assets		**171,113**	132,675
EQUITY			
Issued capital		**4,514**	4,341
Reserves		**166,599**	128,334
Total equity		**171,113**	132,675

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 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 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 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	*Amendments to HKFRS 1 and HKAS 28*

Other than as explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

The nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments*: *Recognition* and *Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

	HKAS 39 measurement			**HKFRS 9 measurement**		
	Category	Amount	ECL	Other	Amount	Category
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	
Financial assets						
Trade, retention and bills receivables	L&R[1]	23,116	(94)	–	23,022	AC
Financial assets included in prepayments, and other receivables	L&R	1,397	–	–	1,397	AC
Cash and cash equivalents	L&R	74,533	–	–	74,533	AC
Financial assets included in other non-current assets	L&R	28	–	–	28	AC
Other assets						
Contract assets		65,681	(333)	–	65,348	
Total assets		171,740	(427)	–	171,313	
Financial liabilities						
Trade payables	AC[2]	10,616	–	–	10,616	AC
Financial liabilities included in other payables and accruals	AC	4,635	–	–	4,635	AC
Other liabilities						
Deferred tax liabilities		2,856	–	(64)	2,792	
Total liabilities		39,065	–	(64)	39,001	

1 L&R: Loans and receivables

2 AC: Financial assets or financial liabilities at amortised cost

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in notes 16 and 18 to the financial statements.

	Impairment allowances under HKAS 39 at 31 December 2017	Re-measurement	ECL allowances under HKFRS 9 at 1 January 2018
	RMB'000	*RMB'000*	*RMB'000*
Trade, retention and bills receivables	–	(94)	(94)
Contract assets	–	(333)	(333)
	–	(427)	(427)

Impact on reserves and retained profits

The impact of transition to HKFRS 9 on reserves and retained profits is as follows:

	Reserves and retained profits
	RMB'000
Retained profits	
Balance as at 31 December 2017 under HKAS 39	19,963
Recognition of expected credit losses for contract assets under HKFRS 9	(333)
Recognition of expected credit losses for trade receivables under HKFRS 9	(94)
Deferred tax in relation to the above	64
Balance as at 1 January 2018 under HKFRS 9	19,600

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in notes 5 and 18 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the statement of financial position as at 31 December 2018 are described below:

(i) Integrated APM system solutions and software development services

Before the adoption of HKFRS 15, contract costs were recognised as an asset provided it was probable that they would be recovered. Such costs represented an amount due from the customers and were recorded as construction contracts in the statement of financial position before the services were billed to customers. Upon the adoption of HKFRS 15, a contract asset is recognised when the Group performs by transferring goods or services to customers and the Group's right to consideration is conditional. Accordingly, the Group reclassified RMB65,681,000 from construction contracts to contract assets as at 1 January 2018.

As at 31 December 2018, the adoption of HKFRS 15 resulted in a decrease in construction contracts of RMB94,514,000 and an increase in contract assets of RMB94,514,000.

Before the adoption of HKFRS 15, the Group recognized the excess of where progress billings over contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers. Under HKFRS 15, the amount is classified as contract liabilities which is included in other payables and accruals. Therefore, upon adoption of HKFRS 15, the Group reclassified RMB320,000 from gross amount due to contract customers to contract liabilities as at 1 January 2018. As at 31 December 2018, no such balance was noted.

(ii) Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as other payables. Under HKFRS 15, the amount is classified as contract liabilities which is included in other payables and accruals. Therefore, upon adoption of HKFRS 15, the Group reclassified RMB441,000 from other payables to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under HKFRS 15, RMB644,000 was reclassified from other payables to contract liabilities in relation to the consideration received from customers in advance for the technical services.

Except as described above, no significant change in other accounting policies.

3. OPERATING SEGMENT INFORMATION

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

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

Geographical information

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

Information about major customers

Revenue of approximately RMB98,371,000 for the year (2017: RMB94,024,000) 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 RMB13,414,000 during the year (2017: RMB21,732,000) was derived from sales to a particular provincial subsidiary of the state-owned telecommunication operator group and accounted for more than 10% of the total revenue.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Integrated APM system solutions	**71,741**	74,749
Software development services	**16,364**	10,223
Technical services	**17,294**	12,796
Sales of embedded hardware and standard APM software	**9,708**	11,335
	115,107	109,103

Revenue from contracts with customers

(i) Disaggregated revenue information

	2018
	RMB'000
Type of customers	
State-owned telecommunication operator groups	**104,352**
Other customers	**10,755**
Total revenue from contracts with customers	**115,107**

	2018
	RMB'000
Timing of revenue recognition	
Goods transferred at a point in time	**9,708**
Services transferred over time	**105,399**
Total revenue from contracts with customers	**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:

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

(ii) 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 a 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 transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are as follows:

	2018
	RMB'000
Within one year	**24,895**
More than one year	**5,332**
	30,227

The remaining performance obligations expected to be recognised in more than one year relate to integrated APM system solutions, software development services and technical services that are to be satisfied within two years. All the other remaining performance obligations are expected to be recognised within one year.

	2018	2017
	RMB'000	*RMB'000*
Other income		
Bank interest income	**239**	174
Government grants – related to income*	**7,131**	6,027
Foreign exchange differences	**1,934**	–
Others	**4**	–
	9,308	6,201

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

5. PROFIT BEFORE TAX

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

	2018	2017
	RMB'000	*RMB'000*
Cost of inventories sold	**4,030**	3,960
Cost of services rendered	**40,994**	39,063
Employee benefit expense (excluding directors' and chief executives' remuneration):		
Wages and salaries	**34,929**	21,279
Pension scheme contributions (defined contribution scheme)	**3,230**	2,642
	38,159	23,921
Foreign exchange differences, net	**(1,934)**	2,836
Research and development costs	**18,713**	14,808
Amortisation of other intangible assets*	**695**	68
Depreciation of property and equipment	**836**	713
Minimum lease payments under operating leases:		
– properties	**2,127**	1,455
Auditor's remuneration	**1,200**	1,450
Bank interest income	**(239)**	(174)
Impairment of financial and contract assets, net:		
Impairment of trade and retention receivables, net	**45**	–
Impairment of contract assets, net	**95**	–
	140	–

* 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 income.

6. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

	2018	2017
	RMB'000	*RMB'000*
Fees	**487**	449
Other emoluments:		
Salaries, allowances and benefits in kind	**3,453**	3,252
Pension scheme contributions	**173**	146
	3,626	3,398
	4,113	3,847

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 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 is 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 1 December 2016.

	2018	2017
	RMB'000	*RMB'000*
Current – Mainland China	**4,892**	5,928
Deferred	**(810)**	2,856
Total tax charge for the year	**4,082**	8,784

8. DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
Interim – HK0.60 cents (2017: HK0.60 cents) per ordinary share	**2,661**	2,553
Proposed final – HK1.2 cents (2017: HK1.2 cents) per ordinary share	**5,341**	4,883
	8,002	7,436

The interim 2017 dividend of HK0.60 cents per ordinary share was paid on 18 September 2017. The final 2017 dividend of HK1.2 cents per ordinary share was paid on 25 April 2018. The interim 2018 dividend of HK0.60 cents per ordinary share was paid on 17 September 2018. The proposed final dividend for the year 2018 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share for the year is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 497,372,500 (2017: 486,745,000) in issue during the year.

The Group had no potentially diluted ordinary shares in issue during the years ended 31 December 2018 and 2017.

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

	2018	2017
Earnings		
Profit attributable to owners of the parent (RMB'000)	**27,893**	22,175
Shares		
Weighted average number of ordinary shares in issue during the year	**497,372,500**	486,745,000
Basic and diluted earnings per share	**RMB5.61 cents**	RMB4.56 cents

10. CONSTRUCTION CONTRACTS

	2018 *RMB'000*	2017 *RMB'000*
Gross amount due from contract customers	–	65,681
Gross amount due to contract customers	–	(320)
	–	65,361
Contract costs incurred plus recognised profits less recognised losses to date	–	114,882
Less: Progress billings	–	(49,521)
	–	65,361

11. TRADE, RETENTION AND BILLS RECEIVABLES

	2018 *RMB'000*	2017 *RMB'000*
Trade receivables	**34,590**	21,565
Retention receivables	**721**	818
Bills receivable	–	733
	35,311	23,116
Impairment	**(139)**	–
Trade, retention and bills receivables	**35,172**	23,116

Trade receivables represented the outstanding contracted values for integrated APM system solutions, software development services, sales of embedded hardware and standard APM software and technical services 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 a 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 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 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 and retention receivables as at the end of the reporting period, based on the billing date and net of loss allowance, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 90 days	**19,189**	14,474
91 to 180 days	**6,634**	6,120
181 to 1 year	**7,006**	904
Over 1 year	**2,343**	885
	35,172	22,383

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

	2018	2017
	RMB'000	*RMB'000*
At beginning of year	**–**	–
Effect of adoption of HKFRS 9	**94**	–
At beginning of year (restated)	**94**	–
Impairment losses, net	**45**	–
At end of year	**139**	–

Impairment under HKFRS 9 for the year ended 31 December 2018

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 and retention receivables using a loss rate approach:

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

Impairment under HKAS 39 for the year ended 31 December 2017

An ageing analysis of the trade, retention and bills receivables as at 31 December 2017 that were past due but not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2017 *RMB'000*
Neither past due nor impaired	13,150
Less than 6 months past due	9,733
6 to 12 months past due	233
	23,116

Receivables that were neither past due nor impaired mainly related to a large number of provincial subsidiaries of a state-owned telecommunication operator in the PRC for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

12. CONTRACT ASSETS

	31 December 2018 *RMB'000*	1 January 2018 *RMB'000*	31 December 2017 *RMB'000*
Contract assets arising from:			
Integrated APM system solutions	**75,053**	48,546	–
Software development services	**19,889**	17,135	–
	94,942	65,681	–
Impairment	**(428)**	(333)	–
	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 increase in contract assets in 2018 was the result of the increase in integrated APM system solutions and software development services at the end of the year. During the year ended 31 December 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 5 to the financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December 2018 is as follows:

	2018 *RMB'000*
Within one year	**78,769**
More than one year	**15,745**
Total contract assets	**94,514**

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

	2018 *RMB'000*
At beginning of year	**–**
Effect of adoption of HKFRS 9	**333**
At beginning of year (restated)	**333**
Impairment losses, net	**95**
At end of year	**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. The loss rates of contract assets are based on the amount written off over the life of the financial assets and the groupings of various customer segments with similar loss patterns (i.e., customer type and rating), and also adjusted loss trends determined by referencing to credit rating data 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:

As at 31 December 2018	**Contract assets arising from state-owned telecommunication operator groups**	**Contract assets arising from other customers**	**Total**
Expected credit loss rate	**0.3%**	**2.6%**	
Gross carrying amount *(RMB'000)*	**88,758**	**6,184**	**94,942**
Expected credit loss *(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:

	2018	2017
	RMB'000	*RMB'000*
Within 90 days	**8,053**	6,940
91 to 180 days	**181**	1,312
181 to 1 year	**1,059**	1,111
Over 1 year	**195**	1,253
Total	**9,488**	10,616

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

BUSINESS REVIEW AND OUTLOOK

The Group is a market leader in China's APM industry which 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.

The shares of the Company (the "**Shares**") were listed on GEM (the "Listing") on 15 December 2016 (the "Listing Date") and the listing of which have been successfully transferred from GEM to the Main Board (the "Transfer of Listing") on 29 November 2018, which marked an important milestone and enhanced our corporate image and competitive edge. In the coming year, the Group will continue to exploit the opportunities in the blooming APM market in China so as to boost business growth and consolidate our position as a leading company in the APM industry.

In 2018, the Group's operations and business achieved a growth as compared with those recorded in 2017. The total revenue of the Group increased by approximately 5.5% from approximately RMB109.1 million for the year ended 31 December 2017 to approximately RMB115.1 million for the year ended 31 December 2018, while the Group's net profit increased by approximately 25.8% from approximately RMB22.2 million for the year ended 31 December 2017 to approximately RMB27.9 million for the year ended 31 December 2018.

OUTLOOK

In the future, the Company will continue to enhance the investment and technical development in respect of ultra wideband related businesses, especially application performance management of online video, and fully conduct performance analysis, optimizing and operational supporting businesses for video businesses, based on existing big data platforms.

As the era of 5G approaches, ultra wideband businesses represented by 4K video and VR are developing rapidly. For all ultra wideband businesses, there are stringent requirements on business awareness. Providing application performance management support for 5G basic businesses is the Company's strategic target for 2019. The Company has actively participated in verification work in 5G pilot zones around China. The Company's target for 2019 is to become a leader in performance management of 5G businesses, and to take the lead in deploying systems of the Company in a series of pilot networks.

Since 2018, with the development of acquisition and analysis technologies, APM based on massive customer data, namely the RUEM (Real User Experience Management) business, has seen a rapid development. The closed loop for the big data analysis products of the Company was created in 2018, and business development was started for such products. The RUEM business of the Company will focus on performance analysis of internet video services, optimization and operation of supporting businesses, and will provide customers with massive data analysis and intelligent services based on the processing by the Company's systems of viewing data of 50 million users per day. The Company has obtained many big data orders, with nationwide average daily volume of data processed exceeding 10PB in 2018. We believe that the APM business based on big data and AI will see a significant growth in 2019.

We notice that, with the promotion by Xiaomi, Huawei, Haier and other companies, digital home sees a rapid development. Household sensors and home broadband internet are quickly gaining in popularity. Therefore, the Company will further develop its digital home performance management system to provide a system platform for digital home support, customer service and user satisfaction management. We will work with internet of things companies and operators, and companies providing services for governments and enterprises, to develop various digital home solutions, and are actively establishing cooperative relationships with leading internet of things product companies in the industry. We believe that there will be more orders in the Group's digital home business in 2019.

Affected by the economic situation, corporate services and the SaaS (Software-as-a-Service) market were sluggish in 2018. In the market of China, most SaaS companies suffered substantial losses and even closed down. Therefore, the Company will be more cautious in the SaaS market in 2019, with a focus on the development of businesses with large enterprise groups, such as electric power company, expressway company and bank.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2018 amounted to approximately RMB115.1 million, representing a growth of approximately RMB6 million or 5.5% as compared with that for the year ended 31 December 2017 (2017: approximately RMB109.1 million). The increase was mainly attributable to the combined effect of: (i) the decrease in revenue generated from provision of integrated APM system solutions of approximately RMB3.0 million; (ii) the increase in revenue generated from provision of software development services of approximately RMB6.1 million; (iii) the increase in revenue generated from provision of technical services of approximately RMB4.5 million; and (iv) the decrease in revenue generated from sales of embedded hardware and standard APM software of approximately RMB1.6 million.

The following analysis sets forth a breakdown of the Group's revenue by service type for the year ended 31 December 2017 and 2018 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 slight reduction in the revenue generated from integrated APM system solutions of approximately 4.0% from approximately RMB74.7 million for the year ended 31 December 2017 to approximately RMB71.7 million for the year ended 31 December 2018. Although the total contract value of the integrated APM system solutions signed by the Group in 2018 exceeded that in 2017, the contract signing time was delayed compared to 2017, resulting in less than 2017 in completion of contracts, and the overall revenue was reduced.

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 increased significantly by approximately 59.8% from approximately RMB10.2 million for the year ended 31 December 2017 to approximately RMB16.3 million for the year ended 31 December 2018. Such increase was mainly due to the fact that the APM system customer base which had expanded over the past few years needed more customized software development services for upgrading and expanding their existing APM systems to cover various new mobile applications (such as mobile phone application, household internet of things application, internet TV/video application), and due to the increasing user group.

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 35.2% from approximately RMB12.8 million for the year ended 31 December 2017 to approximately RMB17.3 million for the year ended 31 December 2018. 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. In addition, the demands for the Group's data analysis service to improve end-user experience increased rapidly in the same period, due to the significant rise in the number of internet TV or video application users in mobile phone and broadband networks of major customers.

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 14.2% from approximately RMB11.3 million for the year ended 31 December 2017 to approximately RMB9.7 million for the year ended 31 December 2018, mainly due to the fact that certain major customers improved product function and performance, to a larger extent through software customization and development, after completing 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 increased by approximately 4.7% from approximately RMB43.0 million for the year ended 31 December 2017 to approximately RMB45.0 million for the year ended 31 December 2018, which was basically in line with the increase in our revenue. The increase was primarily due to higher labour costs resulting from an increased headcount and compensation base.

Gross profit and gross profit margin

The Group's gross profit has increased by approximately 6.1% from approximately RMB66.1 million for the year ended 31 December 2017 to approximately RMB70.1 million for the year ended 31 December 2018, mainly due to the increase in the business volume of software development services and technical services. The gross profit margin of the Group as of 31 December 2018 was approximately 60.9%, which was basically in line with that in 2017.

Other income and gains

The Group recorded other income and gains of approximately RMB6.2 million and approximately RMB9.3 million for the year ended 31 December 2017 and 2018, respectively. Such increase was mainly due to (i) the increase in the government subsidy income and (ii) the increase in exchange gains for the year.

Selling and distribution expenses

The Group's selling and distribution expenses has increased by approximately 8.9% from approximately RMB7.9 million for the year ended 31 December 2017 to approximately RMB8.6 million for the year ended 31 December 2018. Such increase was primarily due to our enhanced efforts in marketing our APM services and products to build up broader customer awareness.

Research and development expenses

The Group's research and development ("R&D") expenses has increased by approximately 26.4% from approximately RMB14.8 million for the year ended 31 December 2017 to approximately RMB18.7 million for the year ended 31 December 2018. Such increase was primarily due to the higher labour costs in a larger extent resulting from an increased R&D headcount and compensation base.

Administrative expenses

The Group's administrative expenses has increased by approximately 26.8% from approximately RMB15.7 million for the year ended 31 December 2017 to approximately RMB19.9 million for the year ended 31 December 2018, mainly due to the expenses of transfer of listing to the Main Board in the amount of RMB2.2 million during the year ended 31 December 2018.

Expenses of transfer of listing to the Main Board

The Group recorded the one-off expenses of transfer of listing to the Main Board of the Stock Exchange in the amount of approximately RMB2.2 million in 2018, which was included in the administrative expenses.

Profit before tax

The Group's profit before tax has increased by approximately 3.2% from approximately RMB31.0 million for the year ended 31 December 2017 to approximately RMB32.0 million for the year ended 31 December 2018.

Income tax expenses

The Group's income tax expenses have decreased by approximately 53.4% from approximately RMB8.8 million for the year ended 31 December 2017 to approximately RMB4.1 million for the year ended 31 December 2018. The decrease in the income tax expenses and the increase in profit before tax is due to the increase in expenses disbursed before income tax and write-back of deferred income tax liabilities of RMB1.5 million (the deferred income tax liabilities of RMB2.9 million recorded in 2017) according to the changes in the applicable tax rate of withholding tax for the Group. After deducting the effect of write-back of deferred income taxes, the income tax expenses on the annual profits of the Group as of 31 December 2018 were approximately RMB4.9 million (approximately RMB5.9 million as of 31 December 2017).

Net profit for the year

As a result of the foregoing reasons, the Group's net profit has increased by approximately 25.8% from approximately RMB22.2 million for the year ended 31 December 2017 to approximately RMB27.9 million for the year ended 31 December 2018. The Group's net profit margin increased from approximately 20.3% for the year ended 31 December 2017 to approximately 24.2% for the year ended 31 December 2018. The increase in the net profit and the net profit margin was mainly due to, among other things, (i) the increase in other revenues of the Group; and (ii) the decrease in the income tax expense of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

For the year ended 31 December 2018, 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 RMB130.9 million as at 31 December 2017 to approximately RMB166.2 million as at 31 December 2018. Our cash and cash equivalents were approximately RMB70.7 million as at 31 December 2018 (as at 31 December 2017: approximately RMB74.5 million).

As at 31 December 2018, 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 2018. 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

The Shares were successfully listed on GEM of the Stock Exchange on 15 December 2016. As at the date of this annual report, the share capital of the Group only comprises ordinary shares.

On 12 June 2018, 21,255,000 subscription shares of the Company were allotted and issued to vendors at the price of HK$1.08 per subscription share (the "Placing"). Upon the completion of the Placing, the total number of the issued Shares of the Company was 508,000,000 of HK$0.01 each.

On 29 November 2018, the listing of Shares were successfully transferred to the Main Board.

As at 31 December 2018, 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.

OPERATING LEASE COMMITMENTS

As at 31 December 2018, the Group had operating lease commitments in respect of rented office of approximately RMB1.8 million (2017: approximately RMB2.4 million).

MATERIAL COMMITMENTS OR CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no material commitments or contingent liabilities (2017: 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 2018, 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 2018, 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 2018, the Group had no charges on the Group's assets.

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As of 31 December 2018, the Group had 203 employees. The staff costs including Directors' emoluments was approximately RMB45.1 million for the year ended 31 December 2018 (2017: approximately RMB37.7 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 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 were listed on GEM on 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 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 of 31 December 2018, the 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 of 31 December 2018** *(HK$ million)*	**Unutilized net proceeds as of 31 December 2018** *(HK$ million)*
Further solidify our leadership in China's APM market	17.52	30%	14.60	2.92
Continue to strengthen in-house R&D capabilities	23.36	40%	19.28	4.08
Leverage growth opportunities in China and strategically expand into certain overseas markets	11.68	20%	9.82	1.86
Fund general corporate purposes	5.84	10%	4.95	0.89
Total	58.40	100%	48.65	9.75

The use of proceeds brought forward from 31 December 2017 is HK$40.58 million.

On 12 June 2018, following the Placing, 21,255,000 Shares were allotted and issued by the Group on GEM, at the price of HK$1.08 per share (market price on 6 June 2018: HK$1.26 per share). For further information, please refer to the announcements of the Company under stock code: 8342 dated 6 June 2018 and 12 June 2018 respectively. The Company's net proceeds from the allotment and issuance of additional Shares (after deducting the underwriting fees and other related expenses) were approximately HK$22.4 million. Such proceeds from the Placing were used to fund general corporate purposes. As at 31 December 2018, among such proceeds from the Placing, HK$5.4 million was used by the Group, while the remainder of HK$17.0 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 around two years.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

For the period from 1 January 2018 to 31 December 2018

Business strategy	Business objectives for the period from 1 January 2018 to 31 December 2018	Actual business progress during the year ended 31 December 2018
Further solidify our leadership in China's APM market	Improve the functionalities and add new features for our existing products	Good progress has been made in digital home and ultra wideband businesses for APM products. The Company has independently developed a flow line and a back-end big data processing platform capable of concurrent processing for millions of users, thus greatly enhancing the processing capacity of the Company for massive digital home businesses. Meanwhile, a big data analysis language has been created according to the features of telecommunication businesses, such that dozens of technical support engineers of the Company acquire the big data analysis skill on the platform, which becomes one of the core competitive strengths of the Company.
	Enter into additional sales agreements for system integration projects with major customers through continued marketing efforts	Digital video operation businesses have been successfully developed; a technical route of operation optimization and income increase based on video awareness has been put forward, based on the features of the APM business of the Company. In this year, several data operation contracts were successfully signed with customers.
	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	Based on the participation in professional exhibitions, it began to actively participate in certain large comprehensive exhibition. It registered for China Content Broadcasting Network (CCBN) and considered participating in Shanghai MWC (Mobile World Congress) mobile communication exhibition.

Business strategy	Business objectives for the period from 1 January 2018 to 31 December 2018	Actual business progress during the year ended 31 December 2018
Continue to strengthen in-house R&D capabilities	Recruit additional talented R&D personnel	The Company developed and delivered the big data analysis system. The Company has migrated all data analysis systems to self-owned big data analysis systems. In next step, it will develop APP Store of the big data analysis system to build an open application development community for the system. It continued to develop an embedded software-based APM system and developed such system into the core of digital home performance management. Such philosophy has been widely recognized. Operators using the system for home network performance analysis and optimization include China Telecom, China Mobile and China Unicom covered over 50 million home broadband users. 5G end-to-end application performance management platform is launched, and together with 5G virtualization performance solutions forms the APM core platform of the Company in the 5G era.
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	Sales and tendering work for overseas projects was started, and early-stage orders had been obtained.
	Promote our new products and services across China	The Company explored new market opportunities in China, promoted new products and services, and obtained early-stage orders.

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 2018. As at 31 December 2018, 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 2018.

EVENTS AFTER THE REPORTING PERIOD

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 2018, the Group has complied with all applicable code provisions as contained in the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules prior to the Transfer of Listing. Following which, the Group has complied with all applicable code provisions as set out in the Code.

DIVIDEND

The Board has resolved to recommend the declaration of a final dividend of HK1.20 cents (equivalent to RMB1.0 cent) per Share for the year ended 31 December 2018 out of the share premium account of the Company, subject to Shareholders' approval at the AGM to be held on 17 May 2019. If approved, the proposed final dividend will be paid on or about 2 July 2019 to the shareholders whose names appear on the register of members of the Company on 22 May 2019 (2017: HK1.20 cents).

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting (the "AGM") is scheduled to be held on Friday, 17 May 2019. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 14 May 2019 to Friday, 17 May 2019, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 10 May 2019.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted a code of conduct regarding securities transactions by Directors (the "Code of Conduct") on terms in accordance with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules from 1 January 2018 to the date prior to the Transfer of Listing.

Upon the Company's transfer of listing from GEM to the Main Board on 29 November 2018, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct for dealing in securities of the Company by the Directors.

The Company has made specific enquiry to all Directors, who have confirmed that, during the year ended 31 December 2018, each of them were in compliance with the Code of Conduct from 1 January 2018 to the date prior to the Transfer of Listing and the Model Code with effect from the Transfer of Listing.

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 2018 as set out in the result announcement have been agreed by the Group's auditors, Ernst & Young ("**EY**"), to the amounts set out in the Group's draft consolidated financial statements 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 result 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 partners of the Company's existing external auditors.

The Group's consolidated financial results for the year ended 31 December 2018 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, 15 March 2019

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.