



VIXTEL TECHNOLOGIES HOLDINGS LIMITED

飛思達科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8342



Third Quarterly Report 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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This report, for which the directors (the “Directors”) of Vixtel Technologies Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (1) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; (2) there are no other matters the omission of which would make any statement herein or this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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

FINANCIAL HIGHLIGHTS

For the nine months ended 30 September 2017, the Group's operations and business have achieved a significant growth when compared with those for the same period in 2016.

The revenue of the Group has increased by approximately 58.4% from approximately RMB50.7 million for the nine months ended 30 September 2016 to approximately RMB80.3 million for the nine months ended 30 September 2017.

The Group's net profit has increased by approximately 115.9% from approximately RMB6.3 million for the nine months ended 30 September 2016 to approximately RMB13.6 million for the nine months ended 30 September 2017.

The board of Directors (the “Board”) of Vixtel Technologies Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the “Group”) for the nine months ended 30 September 2017 together with the comparative unaudited figures for the nine months ended 30 September 2016 as follows:

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

For the nine months ended 30 September 2017

| | Notes | Nine months ended 30 September 2017 RMB'000 (unaudited) | 2016 RMB'000 (unaudited) |
|--|-------|---|--------------------------------|
| REVENUE | 3 | 80,265 | 50,702 |
| Cost of sales | | <u>(33,287)</u> | <u>(21,045)</u> |
| Gross profit | | 46,978 | 29,657 |
| Other income and gains | 3 | 3,653 | 2,597 |
| Selling and distribution expenses | | (6,563) | (5,459) |
| Research and development expenses | | (14,156) | (3,687) |
| Administrative expenses | | (11,008) | (14,038) |
| Other expenses | | <u>(2,373)</u> | <u>(62)</u> |
| PROFIT BEFORE TAX | | 16,531 | 9,008 |
| Income tax expense | 4 | <u>(2,968)</u> | <u>(2,677)</u> |
| PROFIT FOR THE PERIOD | | <u>13,563</u> | <u>6,331</u> |
| OTHER COMPREHENSIVE INCOME | | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | <u>13,563</u> | <u>6,331</u> |
| Attributable to: | | | |
| Owners of the parent | | <u>13,563</u> | <u>6,331</u> |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | 6 | | |
| Basic and diluted (RMB cents) | | <u>2.79</u> | <u>1.65</u> |

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Vixel Technologies Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 10 November 2015 as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. The address of the registered office of the Company is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 15 December 2016 (the “Listing Date”).

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in providing application performance management (“APM”) solutions (the “Listing Business”) in the People’s Republic of China (the “PRC”). There has been no significant change in the Group’s principal activities during the period under review.

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

2. BASIS OF PRESENTATION

The condensed consolidated financial statements of the Group have not been audited by the Company’s auditors but have been reviewed by the Company’s audit committee.

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

The accounting policies adopted in preparing the unaudited condensed consolidated financial statements are consistent with those applied in the annual financial statements for the year ended 31 December 2016.

The Group has not applied any new and revised HKFRSs which have been issued and are not yet effective for the current accounting period but is in the process of assessing their impact on the results of operations and financial position of the Group.

3. REVENUE, OTHER INCOME AND GAINS

Revenue represents the value of provision of APM solutions during the nine months ended 30 September 2017. An analysis of revenue, other income and gains is as follows:

| | Nine months ended 30 September 2017 RMB'000 (unaudited) | 2016 RMB'000 (unaudited) |
|--|--|--------------------------------|
| Revenue | | |
| Construction contracts – Integrated APM system solutions | 44,823 | 36,598 |
| Construction contracts – Software development services | 16,638 | 6,047 |
| Rendering of technical services | 8,241 | 5,219 |
| Sales of embedded hardware and standard APM software | 10,563 | 2,838 |
| | <u>80,265</u> | <u>50,702</u> |
| Other income and gains | | |
| Bank interest income | 157 | 23 |
| Government grants – related to expense* | 3,427 | 2,574 |
| Others | 69 | – |
| | <u>3,653</u> | <u>2,597</u> |

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

4. INCOME TAX

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

No Hong Kong profits tax has been provided since no assessable profit arose in Hong Kong during the nine months ended 30 September 2017.

Pursuant to the PRC Income Tax Law and the respective regulations, Vixtel Technologies Limited is subject to corporate income tax at a rate of 25% on the taxable profit. Preferential tax treatment is available to Vixtel Technologies Limited, which was recognized as a High and New Technology Enterprise in 2010 in PRC and a lower PRC corporate income tax of 15% has been applied since then. The certificate of High and New Technology Enterprise has to be re-applied every three years. The Company has re-applied for and obtained the certificate of High and New Technology Enterprise on 1 December 2016 and is entitled to preferential corporate income tax rate of 15% for the years 2016, 2017 and 2018.

| | Nine months ended 30 September | |
|--------------------------------------|-----------------------------------|--------------|
| | 2017 | 2016 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Current – PRC | <u>2,968</u> | <u>2,677</u> |
| Total tax charge for the nine months | <u>2,968</u> | <u>2,677</u> |

5. INTERIM DIVIDENDS

The Board does not recommend payment of any interim dividend for the nine months ended 30 September 2017.

Prior to the Reorganization, dividends of RMB10 million have been declared by Vixtel Technologies Limited, one of the subsidiaries of the Company, to its then shareholders for the nine months ended 30 September 2016.

On 8 August 2017, the Board resolved to declare and pay an interim dividend of HK\$0.60 cents per share for the six months ended 30 June 2017 to the Company's shareholders whose names appeared on the register of members of the Company on 6 September 2017.

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

The calculation of the basic earnings per share amount is based on the respective profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the nine months ended 30 September 2016 and 2017.

The number of ordinary shares for the purpose of calculating basic earnings per share has been retrospectively adjusted for the capitalization issue as if the shares have been in issue throughout all periods presented.

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

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

| | Nine months ended 30 September 2017 (unaudited) | 2016 (unaudited) |
|---|--|---------------------|
| Earnings | | |
| Profit attributable to ordinary equity holders of the parent (RMB'000) | 13,563 | 6,331 |
| Shares | | |
| Weighted average number of ordinary shares in issue | 486,745,000 | 383,945,000 |
| Basic and diluted earnings per share (RMB cents) | 2.79 | 1.65 |

7. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2017

| | Attributable to owners of the parent | | | | | Total RMB'000 |
|---|--------------------------------------|-----------------------------|-------------------------------|--|--|------------------|
| | Share capital RMB'000 | Share premium RMB'000 | Capital reserve RMB'000 | Statutory surplus reserve RMB'000 | Accumulated loss/ Retained profits RMB'000 | |
| At 1 January 2016 | 65 | - | 30,674 | 662 | 5,961 | 37,362 |
| Profit for the nine months ended 30 September 2016 | - | - | - | - | 6,331 | 6,331 |
| Total comprehensive income for the nine months ended 30 September 2016 | - | - | - | - | 6,331 | 6,331 |
| Transfer from retained profits | - | - | - | 1,552 | (1,552) | - |
| Dividends declared before reorganization | - | - | - | - | (10,000) | (10,000) |
| Addition of paid-in capital | 15 | 14,440 | - | - | - | 14,455 |
| At 30 September 2016 (unaudited) | 80 | 14,440 | 30,674 | 2,214 | 740 | 48,148 |
| At 1 January 2017 | 4,341 | 71,194 | 30,674 | 3,339 | 3,505 | 113,053 |
| Total profit for the nine months ended 30 September 2017 | - | - | - | - | 13,563 | 13,563 |
| Dividends declared for the nine months ended 30 September 2017 | - | - | - | - | (2,553) | (2,553) |
| Transfer from retained profits | - | - | - | 2,073 | (2,073) | - |
| At 30 September 2017 (unaudited) | 4,341 | 71,194 | 30,674 | 5,412 | 12,442 | 124,063 |

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is a market leader in China's APM industry which principally provides Application Performance Management ("APM") products and services solutions to telecommunication operators and large enterprises in the PRC. The Group is principally engaged in the following businesses: (i) integrated APM system solutions; (ii) software development services; (iii) technical services; and (iv) sales of embedded hardware and standard APM software.

The Shares were successfully listed on GEM on 15 December 2016. Since the Listing, the Group has a stronger financial position. The Group will continue to seize the opportunity from the blooming APM market in the PRC to promote its business development and to consolidate the Company's position as a leading company in the APM industry.

For the nine months ended 30 September 2017, the Group's operations and business have achieved a significant growth when compared with those for the same period in 2016. The total revenue of the Group has increased by approximately 58.4% from approximately RMB50.7 million for the nine months ended 30 September 2016 to approximately RMB80.3 million for the nine months ended 30 September 2017. The Group's net profit has increased by approximately 115.9% from approximately RMB6.3 million for the nine months ended 30 September 2016 to approximately RMB13.6 million for the nine months ended 30 September 2017.

OUTLOOK

For the three quarters of 2017, the Group has achieved great progress in perception analysis of millions of users based on big data analysis technologies. By applying the big data analysis technologies to each application component log of businesses and networks, the Group is able to more accurately and effectively obtain optimization solutions in user perception and application. Currently, the “Big Connecting Big Data Platform” developed by the Group has been able to connect to millions of data collecting points, including networks equipment, family data equipment, and Internet of Things (“IoT”) equipment, and conduct real-time analysis on its application performance and application behavior. By leveraging on its application performance analysis, the Group has been growing rapidly in becoming a major supplier of big data technologies solutions in the telecommunication operator market, and has built a solid foundation for the Group to enter the IoT application performance analysis market.

Meanwhile, the Group has begun its development in the corporate unified communication (“UC”) market and is optimistic about the market outlook. By cooperating with leading UC product suppliers within the industry, the Group has launched perception guarantee solutions for UC users, providing performance guarantee solutions for call centers, video conferences, voice over IP (“VOIP”) and conference phone systems. The Group has received strong reactions in the corporate market as its products are able to effectively satisfy the technical needs to transfer current corporate UCs from dedicated leased line networks to cloud platforms. The Group is able to satisfy the needs of large enterprises through on-premises installations and the needs of small and medium enterprises by way of SaaS, providing comprehensive solutions and achieving positive results in market development.

For the fourth quarter of 2017, the Group plans to:

1. continue its research and development as well as market development in big data analysis and expand the Company’s successful experience and products in Internet application performance to IoT “Vaporware” performance management; and
2. strengthen its market development in the UC sector, engage in strategic cooperation with major integrators and manufacturers in the industry and in turn become the top APM solutions provider in the UC market.

FINANCIAL REVIEW

Revenue

The Group's total revenue for the nine months ended 30 September 2017 amounted to approximately RMB80.3 million, representing a significant growth of approximately RMB29.6 million or 58.4% as compared with that of approximately RMB50.7 million recorded for the nine months ended 30 September 2016. The increase was mainly attributable to the combined effect of: (i) the increase in revenue generated from the provision of integrated APM system solutions of approximately RMB8.2 million; (ii) the increase in revenue generated from the provision of software development services of approximately RMB10.6 million; (iii) the increase in revenue generated from rendering of technical services of approximately RMB3.0 million; and (iv) the increase in revenue generated from the provision of sales of embedded hardware and standard APM software of approximately RMB7.8 million.

The following analysis sets forth a breakdown of the Group's revenue by service type for the nine months ended 30 September 2016 and 2017, 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 growth in revenue generated from integrated APM system solutions of approximately 22.4% from approximately RMB36.6 million for the nine months ended 30 September 2016 to approximately RMB44.8 million for the nine months ended 30 September 2017. The increase was primarily due to the constant launch of new network applications and more traditional applications transfer to cloud platforms, which led to continuously growing demand in integrated APM system solutions.

Software development services

The Group's software development services typically involve developing customized supporting software for upgrade and expansion of the APM products already integrated with our customers' systems and networks. Our revenue derived from software development services has increased by approximately 176.7% from approximately RMB6.0 million for the nine months ended 30 September 2016 to approximately RMB16.6 million for the nine months ended 30 September 2017. Such increase was primarily due to the increased customer base in the past year which has created an increasing demand for software development services to upgrade and expand their existing APM systems to cover new network-based applications and users.

Technical services

This segment provides operational support, system maintenance, network analysis and optimization, and research study of specific topics on application and network performance. Our revenue derived from technical services has increased by approximately 57.7% from approximately RMB5.2 million for the nine months ended 30 September 2016 to approximately RMB8.2 million for the nine months ended 30 September 2017. Such increase was primarily attributable to the increase in demand from customers for our in-depth Internet APM analysis and consulting services to enhance the applications performance over their mobile Internet and broadband networks.

Sales of embedded hardware and standard APM software

We have from time to time sell embedded hardware and standard APM software to customers who do not require tailor-making services. Our revenue generated from the sales of embedded hardware and standard APM software has increased by approximately 278.6% from approximately RMB2.8 million for the nine months ended 30 September 2016 to approximately RMB10.6 million for the nine months ended 30 September 2017. Such increase was primarily due to the fact that more and more existing customers are deploying embedded hardware agents to fully cover their province for the Internet and broadband application performance monitoring and management.

Cost of sales

The Group's cost of sales has increased by approximately 58.6% from approximately RMB21.0 million for the nine months ended 30 September 2016 to approximately RMB33.3 million for the nine months ended 30 September 2017, which was in line with the increase in our revenue. The increase was primarily due to (1) higher labour costs resulting from an increased headcount and compensation base; and (2) higher hardware costs derived from the increased business volume of integrated APM system solutions.

Gross profit and gross profit margin

The Group's gross profit has increased by approximately 58.2% from approximately RMB29.7 million for the nine months ended 30 September 2016 to approximately RMB47.0 million for the nine months ended 30 September 2017. The increase was primarily due to the increased business volume in the sales of integrated APM system solutions and embedded hardware and standard APM software. The Group's gross profit margin of approximately 58.6% for the nine months ended 30 September 2016 remained basically the same as approximately 58.5% for the nine months ended 30 September 2017.

Other income and gains

The Group recorded other income and gains of approximately RMB2.6 million and approximately RMB3.7 million for the nine months ended 30 September 2016 and 2017, respectively. Such increase was due to the increased value-added tax refund which was in line with our business growth.

Selling and distribution expenses

The Group's selling and distribution expenses has increased by approximately 20.0% from approximately RMB5.5 million for the nine months ended 30 September 2016 to approximately RMB6.6 million for the nine months ended 30 September 2017. 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 283.8% from approximately RMB3.7 million for the nine months ended 30 September 2016 to approximately RMB14.2 million for the nine months ended 30 September 2017. Such increase was primarily due to the higher labour costs resulting from an increased R&D headcount and compensation base and the purchase of equipment to conduct development and tests for new R&D projects.

Administrative expenses

The Group's administrative expenses has decreased by approximately 21.4% from approximately RMB14.0 million for the nine months ended 30 September 2016 to approximately RMB11.0 million for the nine months ended 30 September 2017, which was primarily due to no Listing expenses incurred for the nine months ended 30 September 2017.

Profit before tax

The Group's profit before tax has increased by approximately 83.3% from approximately RMB9.0 million for the nine months ended 30 September 2016 to approximately RMB16.5 million for the nine months ended 30 September 2017.

Income tax expenses

The Group's income tax expense has increased by approximately 11.1% from approximately RMB2.7 million for the nine months ended 30 September 2016 to approximately RMB3.0 million for the nine months ended 30 September 2017.

Profit for the nine months

As a result of the foregoing reasons, the Group's net profit has increased by approximately 115.9% from approximately RMB6.3 million for the nine months ended 30 September 2016 to approximately RMB13.6 million for the nine months ended 30 September 2017. The Group's net profit margin increased from approximately 12.4% for the nine months ended 30 September 2016 to approximately 16.9% for the nine months ended 30 September 2017. The increase in net profit and net profit margin was mainly due to the increase in the operating revenue of the Group and no Listing expenses incurred for the nine months ended 30 September 2017.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 September 2017, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long position in Shares

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

Notes:

1. Pursuant to the deed of concert parties dated 11 August 2016 as supplemented by a supplemental deed dated 10 November 2016 (the "Deed of Concert Parties"), Mr. Yue Yong, Mr. Sie Tak Kwan, Mr. Guan Haiqing and Mr. Liang Judong confirm, agree and acknowledge among other things, that they are parties acting in concert in respect of the Group since 29 December 2010. As such, pursuant to the Deed of Concert Parties, each of Mr. Yue Yong, Mr. Sie Tak Kwan, Mr. Guan Haiqing and Mr. Liang Judong is deemed to be interested in 63.70% of the issued share capital of the Company.
2. Shares in which Mr. Yue Yong is interested consist of (i) 103,335,000 Shares held by Worldgate Ventures Limited, a company wholly-owned by him, in which Mr. Yue Yong is deemed to be interested under the SFO; and (ii) 206,705,000 Shares in which Mr. Yue Yong is deemed to be interested as a result of being a party acting-in-concert with Mr. Sie Tak Kwan, Mr. Guan Haiqing and Mr. Liang Judong.
3. Shares in which Mr. Sie Tak Kwan is interested consist of (i) 103,335,000 Shares held by Cohort Investments Limited, a company wholly-owned by him, in which Mr. Sie Tak Kwan is deemed to be interested under the SFO; and (ii) 206,705,000 Shares in which Mr. Sie Tak Kwan is deemed to be interested as a result of being a party acting-in-concert with Mr. Yue Yong, Mr. Guan Haiqing and Mr. Liang Judong.
4. Shares in which Mr. Guan Haiqing is interested consist of (i) 72,365,000 Shares held by Copious Link Investments Limited, a company wholly-owned by him, in which Mr. Guan Haiqing is deemed to be interested under the SFO; and (ii) 237,675,000 Shares in which Mr. Guan Haiqing is deemed to be interested as a result of being a party acting-in-concert with Mr. Sie Tak Kwan, Mr. Yue Yong and Mr. Liang Judong.
5. Shares in which Mr. Liang Judong is interested consist of (i) 31,005,000 Shares held by Hugemind Investments Limited, a company wholly-owned by him, in which Mr. Liang Judong is deemed to be interested under the SFO; and (ii) 279,035,000 Shares in which Mr. Liang Judong is deemed to be interested as a result of being a party acting-in-concert with Mr. Sie Tak Kwan, Mr. Yue Yong and Mr. Guan Haiqing.

Save as disclosed above, as at 30 September 2017, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or was required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 30 September 2017, Shareholders (other than the Directors and the chief executive of the Company) who had interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long position in Shares

| Name of Shareholder | Capacity/Nature of Interest | Number of Shares held | Approximate percentage of shareholding (Note 1) |
|--|---|-----------------------|--|
| Worldgate Ventures Limited (Note 2) | Beneficial owner | 103,335,000 | 21.23% |
| Ms. Li Duan (Note 3) | Interest of spouse | 310,040,000 | 63.70% |
| Cohort Investments Limited (Note 4) | Beneficial owner | 103,335,000 | 21.23% |
| Ms. Chen Baozhu (Note 5) | Interest of spouse | 310,040,000 | 63.70% |
| Copious Link Investments Limited (Note 6) | Beneficial owner | 72,365,000 | 14.87% |
| Ms. Gu Wei (Note 7) | Interest of spouse | 310,040,000 | 63.70% |
| Hugemind Investments Limited (Note 8) | Beneficial owner | 31,005,000 | 6.37% |
| Ms. Bai Xiaoqian (Note 9) | Interest of spouse | 310,040,000 | 63.70% |
| Sino Impact Limited | Beneficial owner | 54,710,000 | 11.24% |
| Mr. Kwan Shan (Note 10) | Interest in a controlled corporation; Interest of spouse | 54,710,000 | 11.24% |
| Ms. Tam Suk Fan Sindy (Note 10) | Interest in a controlled corporation; Interest of spouse | 54,710,000 | 11.24% |
| Mr. Ruan David Ching-chi (Note 11) | Interest in a controlled corporation | 24,400,000 | 5.01% |
| RAYS Capital Partners Limited (Note 11) | Investment manager | 24,400,000 | 5.01% |

Notes:

1. As at 30 September 2017, the Company had 486,745,000 Shares in issue.
2. Worldgate Ventures Limited is wholly-owned by Mr. Yue Yong. Under the SFO, Mr. Yue Yong is deemed to be interested in the Shares held by Worldgate Ventures Limited.
3. Ms. Li Duan is the spouse of Mr. Yue Yong. Under the SFO, Ms. Li Duan is deemed to be interested in the same number of Shares in which Mr. Yue Yong is interested.
4. Cohort Investments Limited is wholly-owned by Mr. Sie Tak Kwan. Under the SFO, Mr. Sie Tak Kwan is deemed to be interested in the Shares held by Cohort Investments Limited.
5. Ms. Chen Baozhu is the spouse of Mr. Sie Tak Kwan. Under the SFO, Ms. Chen Baozhu is deemed to be interested in the same number of Shares in which Mr. Sie Tak Kwan is interested.
6. Copious Link Investments Limited is wholly-owned by Mr. Guan Haiqing. Under the SFO, Mr. Guan Haiqing is deemed to be interested in the Shares held by Copious Link Investments Limited.
7. Ms. Gu Wei is the spouse of Mr. Guan Haiqing. Under the SFO, Ms. Gu Wei is deemed to be interested in the same number of Shares in which Mr. Guan Haiqing is interested.
8. Hugemind Investments Limited is wholly-owned by Mr. Liang Judong. Under the SFO, Mr. Liang Judong is deemed to be interested in the Shares held by Hugemind Investments Limited.
9. Ms. Bai Xiaoqian is the spouse of Mr. Liang Judong. Under the SFO, Ms. Bai Xiaoqian is deemed to be interested in the same number of Shares in which Mr. Liang Judong is interested.
10. Mr. Kwan Shan and Ms. Tam Suk Fan Sindy, each holds 50% of Sino Impact Limited, which directly holds 54,710,000 Shares. By virtue of the SFO, Mr. Kwan Shan and Ms. Tam Suk Fan Sindy are deemed to be interested in the 54,710,000 Shares in which Sino Impact Limited is interested.
11. Mr. Ruan David Ching-chi holds 95.24% of RAYS Capital Partners Limited which holds 24,400,000 Shares. By virtue of the SFO, Mr. Ruan David Ching-chi is deemed to be interested in the 24,400,000 Shares in which RAYS Capital Partners Limited is interested.

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Since the Shares of the Company were listed on GEM on 15 December 2016, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any listed securities of the Company during the nine months ended 30 September 2017 save for those related to the Reorganisation.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Code of Conduct"). The Company has made specific enquiries with all the Directors and the Directors have confirmed that they have complied with the Code of Conduct during the nine months ended 30 September 2017.

INTERESTS OF THE COMPLIANCE ADVISER

As confirmed by the Group's compliance adviser, KGI Capital Asia Limited (the "Compliance Adviser"), as at 30 September 2017 save for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 10 August 2016 in connection with the Listing, none of the Compliance Adviser or its directors, employees or associates (as defined in the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

DEED OF NON-COMPETITION BY CONTROLLING SHAREHOLDERS

On 21 November 2016, Cohort Investments Limited, Copious Link Investments Limited, Hugemind Investments Limited, Worldgate Ventures Limited, Mr. Yue Yong, Mr. Sie Tak Kwan, Mr. Guan Haiqing and Mr. Liang Judong (the "Controlling Shareholders") entered into a deed of non-competition ("Deed of Non-Competition") in favour of the Company (for itself and as trustee for each of its subsidiaries), pursuant to which each Controlling Shareholder, jointly and severally, warrants and undertakes to the Company that, from the Listing Date, he/it shall not, and shall procure his/its close associates and any company directly or indirectly controlled by him/it (other than members of the Group) not to directly or indirectly, carry on, participate, engage or otherwise be interested in any business in anywhere or place which is or may be in competition with the business of any members of the Group from time to time. For details of the Deed of Non-Competition, please refer to the section headed "Relationship with Our Controlling Shareholders" in the Prospectus.

Each Controlling Shareholder has confirmed to the Company of its/his compliance with the Deed of Non-Competition during the nine months ended 30 September 2017. The independent non-executive Directors have also reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied by each of the Controlling Shareholders during the nine months ended 30 September 2017.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) was established on 21 November 2016 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and the code provision C.3.3 of the Corporate Governance Code in Appendix 15 to the GEM Listing Rules. The Audit Committee comprises three independent non-executive Directors, namely Mr. Cheung Hon Fai, Professor Lam Kin Man and Mr. Shen Qi. The chairman of the Audit Committee is Mr. Cheung Hon Fai, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules. None of the members of the Audit Committee are former partners of the Company’s existing external auditors.

The Group’s unaudited condensed consolidated financial results for the nine months ended 30 September 2017 have been reviewed by the Audit Committee and the management, which were of the view that the preparation of such financial results have complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

On behalf of the Board
Vixel Technologies Holdings Limited
Yue Yong
Chairman and Executive Director

Hong Kong, 4 November 2017

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