



**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

**2020**  
Interim Report



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Guan Haiqing

*(Chairman, with effect from 22 June 2020)*

Mr. Sie Tak Kwan *(Chief Executive Officer)*

Mr. Yue Yong *(Chief Technology Officer)*

*(Chairman, resigned with effect from 22 June 2020)*

#### Non-executive Director

Mr. Liang Judong

#### Independent Non-executive Directors

Mr. Cheung Hon Fai

Professor Lam Kin Man

Mr. Shen Qi

#### COMPANY SECRETARY

Mr. Cheung Kai Cheong Willie *(FCPA · FCCA)*

#### AUTHORISED REPRESENTATIVES

Mr. Sie Tak Kwan

Mr. Cheung Kai Cheong Willie *(FCPA · FCCA)*

#### AUDIT COMMITTEE

Mr. Cheung Hon Fai *(Chairman)*

Professor Lam Kin Man

Mr. Shen Qi

#### REMUNERATION COMMITTEE

Professor Lam Kin Man *(Chairman)*

Mr. Cheung Hon Fai

Mr. Shen Qi

Mr. Sie Tak Kwan

#### NOMINATION COMMITTEE

Mr. Cheung Hon Fai *(Chairman)*

Professor Lam Kin Man

Mr. Shen Qi

Mr. Sie Tak Kwan

#### INDEPENDENT AUDITOR

Ernst & Young

#### REGISTERED OFFICE

P.O. Box 1350

Clifton House

75 Fort Street

Grand Cayman KY1-1108

Cayman Islands

#### HEADQUARTERS IN THE PRC

4/F, Block 2

Founder Building

9 Shangdi Fifth Street

Haidian District

Beijing

China

#### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower

No.248 Queen's Road East

Wanchai

Hong Kong

#### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited

PO Box 1350, Clifton House

75 Fort Street

Grand Cayman KY1-1108

Cayman Islands

#### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

#### LEGAL ADVISER

F. Zimmern & Co.

#### PRINCIPAL BANKER

Industrial and Commercial Bank of China Beijing

Zhongguancun Subbranch

#### WEBSITE ADDRESS

[www.vixtel.com](http://www.vixtel.com)

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#### STOCK CODE

1782

For the six months ended 30 June 2020, the operations and business of Vixtel Technologies Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**” or “**We**”) have recorded the following changes when compared with those for the six months ended 30 June 2019:

- Revenue for the six months ended 30 June 2020 amounted to approximately RMB36,147,000, representing a decrease of approximately 10.5% from approximately RMB40,380,000 for the six months ended 30 June 2019.
- Profit attributable to owners of the Company for the six months ended 30 June 2020 amounted to approximately RMB2,224,000, representing a decrease of approximately 64.4% from the profit attributable to owners of the Company for the six months ended 30 June 2019 of approximately RMB6,255,000.
- Basic earnings per share for the six months ended 30 June 2020 was approximately RMB0.44 cents (for the six months ended 30 June 2019: basic earnings per share was approximately RMB1.23 cents).

## BUSINESS REVIEW AND OUTLOOK

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

Due to the impact of the Coronavirus Disease 2019 ("COVID-19"), the results of the Group for the six months ended 30 June 2020 (the "Period") fell short of expectations. During the Period, the revenue of the Group declined to RMB36,147,000, representing a year-on-year decrease of approximately 10.5%, mainly resulting from the following major factors:

First, as affected by the COVID-19, telecom operators, which are the Group's major customers, have delayed their resumption of work and production. As such, the work plan for the first half of 2020 was almost impossible to complete as planned, resulting in decline in the amount of sales collection and the contract number of new orders.

Secondly, the project acceptance of the Group was significantly restricted due to the impact of the COVID-19. Since technical experts were unable to meet the customers in other cities, we conducted the acceptance work through the Internet and video conferences, which were in turn also faced with numerous difficulties. In addition, as our products are highly specialized and customized, customers usually place new purchases and update orders only after the joint acceptance with the Group's experts. Therefore, the progress of the Group's new contracts with customers has been adversely affected and delayed.

Finally, the Group attaches great importance to the health and safety of our employees. During the COVID-19, the Group delayed the delivery of some projects and the signing of contracts. Postponed working hours of our employees in the early stage of the COVID-19, so as to reduce risks of affection amongst our employees. As a result, the Group has a large number of cumulative orders that are being executed but not yet completed.

In terms of profit, the gross profit margin of the Group decreased to 57.3% for the Period, a slight decline of approximately 2.6 percentage points as compared with the corresponding period of last year, which mainly due to that we have launched new products during the Period and our technical staff needed to be familiar with that new products, resulting in a slight increase in delivery expenses and training costs. During the Period, the net profit margin fell to 6.2%, mainly attributable to (i) a decrease in government subsidies granted due to a decline in the Company's invoice amount as a result of a delay in contract settlement by the customers as affected by the COVID-19; and (ii) an increase in research and development expenses as a percentage to income during the Period as compared with the corresponding period of last year, which were mainly invested in the development of relevant 5G and cloud network APM products and the related market. However, the Group reduced the remuneration of our executives in a decisive manner and implemented active cost control strategies during the Period, to maximize the stability of the Company's finance and operation.

For the six months ended 30 June 2020, the revenue of the Group amounted to approximately RMB36.1 million (for the six months ended 2019: approximately RMB40.4 million), and the profits amounted to approximately RMB2.2 million (for the six months ended 2019: approximately RMB6.3 million).

## OUTLOOK

Although the revenue and profit of the Group were significantly affected by the COVID-19 in the first half of 2020, there were also some positive signs during the Period and we are prudently optimistic on our results for the second half of 2020.

### **APM products are ready to launch due to China's acceleration of 5G commercialization**

Due to the impact of the COVID-19 at the beginning of 2020, the Chinese government has adopted massive economic stimulation policies to cope with the negative impact of the COVID-19 on the economy. In line with the trend of economic transformation, industrial upgrading and independent development of high-tech, 15 provinces have launched new infrastructure construction projects with a total investment of over RMB25 trillion. The main beneficiaries of the relevant policies include the information and communication industry and 5G-related new infrastructure industries.

Up to June 2020, which marks the first anniversary of the approval of 5G commercial licence in China, the number of 5G package users nationwide of telecom operators has exceeded the milestone of 100 million. According to the Ministry of Industry and Information Technology, the basic telecom companies have built over 250,000 5G base stations, which are expected to reach over 600,000 by the end of 2020 covering all prefecture-level and above cities in China. As the innovative applications of 5G continue to increase and cover a wide range of industries including industrial engineering, transportation and medical care, 5G technologies have further demonstrated their role in promoting the transformation and upgrading of the real economy, showing favourable influence on 5G-related industries.

With the gradual improvement of the Group's APM solutions in the 5G field, our solutions, especially in the fields of 5G ultra-high-definition video, Virtual Reality and Edge Cloud for Mobile Edge Computing, have unfolded obvious competitive advantages in the industry. As the 5G network will transit from the construction period to the in-depth application period, our revenue is expected to record a significant increase in the second half of 2020.

### **Enterprise Clouding will bring business opportunities**

With the popularization of 5G commercialization, the demand of enterprises for 5G and cloud network APM solutions will continue to grow, which will bring massive business opportunities to the Group. With significant advantages in the cloud operation and maintenance for operators as well as our solid customer base, the Group has recorded a steady growth in revenue. Meanwhile, as operators adopted the Group's solutions on public clouds, the Group will usher in more opportunities to enter the enterprise cloud computing APM market.

## MANAGEMENT DISCUSSION AND ANALYSIS

Looking forward to the second half 2020, we are conducting active communications with our customers and working together to recover the lost time as a result of the COVID-19. As the COVID-19 is under control in China, the number of orders of the Group is expected to increase in the second half of 2020. However, with the continuous outbreak of the COVID-19 in other countries, the downturn of the global economy, the continuous Sino-US trade disputes, the intensifying competition in the global 5G market and the uncertainties in the macro environment, the Group will closely monitor the market and conduct risk assessments regularly to ensure that we can take responsive measures flexibly and appropriately.

In summary, the Group is prudently optimistic on the revenue and profit for the second half of 2020. Despite we are significantly affected by the abovementioned temporary factors, our core competitiveness is still strong, and we believe that our business can maintain long-term, sound and stable development.

### FINANCIAL REVIEW

#### Revenue

The Group's revenue for the six months ended 30 June 2020 amounted to approximately RMB36.1 million, representing a decrease of approximately RMB4.3 million or 10.5% as compared with that of approximately RMB40.4 million recorded for the six months ended 30 June 2019. The decrease was mainly attributable to the combined effect of: (1) the increase in revenue generated from the provision of integrated APM system solutions of approximately RMB0.6 million; (2) the decrease in revenue generated from the provision of software development services of approximately RMB2.4 million; (3) the decrease in revenue generated from the provision of technical services of approximately RMB1.5 million; and (4) the decrease in revenue generated from sales of embedded hardware and standard APM software of approximately RMB1.0 million.

The following analysis sets forth a breakdown of the Group's revenue by service type for the six months ended 30 June 2019 and 2020, 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 an increase in the revenue generated from the provision of integrated APM system solutions of approximately 3.2% from approximately RMB18.9 million for the six months ended 30 June 2019 to approximately RMB19.5 million for the six months ended 30 June 2020. This was primarily due to the expansion of our customers' projects to cover more new Internet applications performance analysis.

### Software development services

This segment provides software development services which typically involve in 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 decreased by approximately 22.9% from approximately RMB10.5 million for the six months ended 30 June 2019 to approximately RMB8.1 million for the six months ended 30 June 2020. This was primarily due to the fact that more existing customers completed software development services through the integrated APM system solutions which upgrade and expand their existing APM systems to cover new network-based applications and users.

### Technical services

This segment provides advisory services including operational support, system maintenance, network analysis and optimization for our APM products, and research study of specific topics on application and network performance. Our revenue derived from the provision of technical services decreased by approximately 16.1% from approximately RMB9.3 million for the six months ended 30 June 2019 to approximately RMB7.8 million for the six months ended 30 June 2020. Such decrease was primarily attributable to our allocation of more resources to the promotion of new products and technologies of our Integrated APM system solutions.

### 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 decreased by approximately 61.1% from approximately RMB1.8 million for the six months ended 30 June 2019 to approximately RMB0.7 million for the six months ended 30 June 2020, which was mainly due to the fact that certain major customers reduced the purchase of embedded hardware during the new 5G network infrastructure deployment.

### Cost of sales

The Group's cost of sales decreased by approximately 4.6% from approximately RMB16.2 million for the six months ended 30 June 2019 to approximately RMB15.4 million for the six months ended 30 June 2020, such decrease was primarily due to the decrease in sales contract and revenue reduced the cost of sales.

### Gross profit and gross profit margin

The Group's gross profit decreased by approximately 14.4% from approximately RMB24.2 million for the six months ended 30 June 2019 to approximately RMB20.7 million for the six months ended 30 June 2020, mainly due to the decrease in the business volume for sales of technical services, and software development services. The Group's gross profit margin was recorded at approximately 59.9% and approximately 57.3% for the six months ended 30 June 2019 and 2020, respectively. The decrease was mainly due to the increase in the delivery and training costs required for getting familiar with the newly developed products.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Other income and gains

The Group recorded other income and gains of approximately RMB5.8 million and approximately RMB2.2 million for the six months ended 30 June 2019 and 2020, respectively. The decrease was primarily due to the decrease in government grants received.

## Selling and distribution expenses

The Group's selling and distribution expenses decreased by approximately 7.9% from approximately RMB3.9 million for the six months ended 30 June 2019 to approximately RMB3.6 million for the six months ended 30 June 2020, which was mainly due to the enhanced management of the selling and distribution expense budgets and reduction in relevant costs by the Company.

## Research and development expenses

The Group's research and development ("R&D") expenses decreased by approximately 2.5% from approximately RMB11.5 million for the six months ended 30 June 2019 to approximately RMB11.2 million for the six months ended 30 June 2020, which was mainly due to the enhanced control of R&D expenses by the Company.

## Administrative expenses

The Group's administrative expenses decreased by approximately 5.5% from approximately RMB6.9 million for the six months ended 30 June 2019 to approximately RMB6.6 million for the six months ended 30 June 2020, which was mainly due to that the Company controls administrative expenses reasonably by strengthening internal management.

## Profit before tax

Due to the foregoing reasons, the Group's profit before tax decreased by approximately 79.9% from approximately RMB7.6 million for the six months ended 30 June 2019 to approximately RMB1.5 million for the six months ended 30 June 2020.

## Income tax expenses

The Group's income tax expenses decreased by approximately 127.9% from approximately RMB1.3 million for the six months ended 30 June 2019 to approximately RMB-0.4 million for the six months ended 30 June 2020, which was mainly due to the decrease in profit before tax and reversal of deferred tax liabilities.

## Net profit

Due to the foregoing reasons, the Group's net profit decreased by approximately 64.4% from approximately RMB6.3 million for the six months ended 30 June 2019 to approximately RMB2.2 million for the six months ended 30 June 2020, which was mainly due to the decrease in the operating revenue and government grants of the Group, and the increase in R&D expenses as a percentage to income during the Period as compared with the same period of last year.

## LIQUIDITY AND FINANCIAL RESOURCES

For the six months ended 30 June 2020, the Group's cash and cash equivalents, together with available credit facilities and expected cash flow from operations, were sufficient to satisfy the current operational requirements and the capital expenditures of the Group.

The Group's net current assets increased from approximately RMB168.0 million as at 31 December 2019 to approximately RMB169.3 million as at 30 June 2020. Our cash and cash equivalents were approximately RMB79.5 million as at 30 June 2020 (as at 31 December 2019: approximately RMB80.9 million).

As at 30 June 2020, the Group's short-term bank loan was RMB10.0 million (31 December 2019: Nil).

As at 30 June 2020, the gearing ratio of the Group was 5.5% (31 December 2019: Nil). 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 six months ended 30 June 2020. In this respect, the Group is not exposed to any significant foreign currency exchange risk. The management will continue to closely monitor foreign exchange risk to ensure that appropriate measures are implemented in a timely and effective manner.

## CAPITAL STRUCTURE

As at 30 June 2020, the Company's issued share capital was HK\$5,080,000 and the number of its issued ordinary shares was 508,000,000 of HK\$0.01 each. As at the date of this interim report, the share capital of the Company only comprises ordinary shares.

## COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2020, the Group had no material commitments or contingent liabilities (2019: Nil).

## DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

For the Period, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

### SIGNIFICANT INVESTMENTS AND ACQUISITION OF CAPITAL ASSETS

For the Period, the Group did not hold any significant investments nor made any significant acquisition of capital assets.

### CHARGE ON ASSETS

For the Period, apart from bank deposits amounting to RMB7.0 million that were pledged to banks mainly in relation to short-term bank loan (31 December 2019: Nil), no other Group's assets were charged to any financial institutions.

### EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As at 30 June 2020, the Group had a total of 185 employees. The Group's staff costs including directors' emoluments were approximately RMB16.6 million for the six months ended 30 June 2020 (for the six months ended 30 June 2019: approximately RMB18.6 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 contributions and continuing efforts for promoting the interest of the Group.

The Company also adopted a share award scheme (the "**Share Award Scheme**") on 10 January 2020 (i) to recognize and motivate the contributions of the eligible persons; (ii) to provide them with incentives in order to retain such persons for continual operation and development of the Group; and (iii) to recruit suitable personnel in the interest of further development of the Group. For further information, please refer to the announcement of the Company dated 10 January 2020.

The Company recognizes the importance of keeping the directors of the Company (the "**Directors**") updated with the latest information of duties and obligations of a director of a company whose shares are listed on a stock exchange and the general regulatory and environment 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 on a quarterly basis, such as corporate culture training and initial training for new employees in order to improve employees' knowledge in a number of important areas of our services. Internal training programs of our Group are dynamic and are tailored in accordance with the particular stage of the Group's development.

### USE OF PROCEEDS

On 12 June 2018, 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 2019, the remainder of HK\$8.6 million from such proceeds was not used. As of 30 June 2020, among such proceeds from the Placing, HK\$17.9 million was used by the Group, while the remainder of HK\$4.5 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 second half of 2020.

### SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 21 November 2016.

Details of the Share Option Scheme are as follows:

- |   |  |
|---|--|
| 1. Purpose of the Share Option Scheme                                       | The purpose of the Share Option Scheme is to enable the Company to grant options to eligible persons as incentives and rewards for their contributions and continuing efforts for promoting the interest of the Group.   |
| 2. Who may join   | Any eligible employee (full time or part-time), executive Director, non-executive Director and independent non-executive Director, advisor and consultant of the Group.  |
| 3. Total number of shares available for issue under the Share Option Scheme | 48,674,500 Shares (representing 10% of the total number of Shares in issue as at the Listing Date)   |
| 4. Subscription Price   | The Subscription price shall be a price determined by the Board, but in any case shall not be less than the highest of:<br><br>(i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of the grant, which must be a trading day;<br><br>(ii) the average closing price per share as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the grant; and<br><br>(iii) the nominal value of a share on such date of grant. |
| 5. Maximum entitlement of each participant                                  | The total number of Shares issued and to be issued upon exercise of options granted in any 12-month period to a Participant under this Share Option Scheme and other schemes must not exceed 1% of the Shares in issue.  |
| 6. Time of acceptance   | Options granted may be accepted by the Eligible Person within 28 days from the date of the grant of options.   |
| 7. Option period  | A period which may expire no later than 10 years from the date of the offer of to be determined and notified by Directors to the grantee thereof.  |
| 8. Rights are personal to grantee   | An option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber, or create any interest in favour of any third party over or in relation to any option.  |

Since the adoption of the Share Option Scheme and up to the date of this report, no share option has been granted pursuant to the Share Option Scheme. On 30 June 2020 and as of the date of this report, the Company does not have any outstanding share options, warranties, derivatives or securities that are convertible into or exchangeable for shares.

## SHARE AWARD SCHEME

The Company adopted a Share Award Scheme on 10 January 2020.

Details of the Share Award Scheme are as follows:

1. Purpose of the Share Award Scheme      The purposes are (i) to recognize and motivate the contributions of the eligible persons; (ii) to provide them with incentives in order to retain such persons for continual operation and development of the Group; and (iii) to recruit suitable personnel in the interest of further development of the Group.
2. Who may join                                      Any Director(s) (including, without limitation, any executive, non-executive or independent non-executive Directors), senior manager(s) and employee(s) of the Group.
3. Duration    Unless terminated earlier by the Board in accordance with the Scheme Rules, the Scheme shall be valid and effective for a term of ten years commencing on the adoption date.
4. Vesting    The Board may at its absolute discretion either:
  - (i) direct and procure the trustee to release the award shares to the selected participants by transferring the number of award shares to the selected participants;
  - (ii) or to the extent where it is in the reasonable opinion of the Board not practicable (on the basis stated in the award letter) for the selected participants to receive the award shares and provided that the trading of the shares has not been suspended, direct and procure the trustee to sell the number of award shares within any time as stipulated in the Share Award Scheme rules and pay the selected participants the proceeds arising from such sale.
5. Lapse/Forfeiture                                If a selected participant is unable to meet the vesting conditions as set out in the award letter issued to such selected participant, the relevant award shares shall lapse.
6. Transferability                                    Any award granted under the Share Award Scheme but not yet vested shall not be assignable or transferable and no selected participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any Award, or enter into any agreement to do so.

## OTHER INFORMATION

7. Scheme Limit
- The total number of shares to be awarded under the Share Award Scheme shall not exceed 10% of the total number of issued Shares from time to time.
- The maximum number of award shares which may be granted to a selected participant but unvested under the Share Award Scheme shall not exceed 1% of the total number of issued shares from time to time.
8. Termination
- The Share Award Scheme shall terminate on the earlier of: (i) the tenth anniversary of the adoption date; and (ii) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any selected participant under the Share Award Scheme.

Since the adoption of the Share Award Scheme and up to the date of this report, no share award has been granted pursuant to the Share Award Scheme.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2020, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 (the "Model Code") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

## LONG POSITIONS IN SHARES

Name of Directors	Capacity/nature of interests	Number of Shares held	Approximate percentage of shareholding
Mr. Yue Yong ("Mr. Yue") (Notes 1 and 2)	Interest in a controlled corporation; interest held jointly with another person	310,040,000	61.03%
Mr. Sie Tak Kwan ("Mr. Sie") (Notes 1 and 3)	Interest in a controlled corporation; interest held jointly with another person	310,040,000	61.03%
Mr. Guan Haiqing ("Mr. Guan") (Notes 1 and 4)	Interest in a controlled corporation; interest held jointly with another person	310,040,000	61.03%
Mr. Liang Judong ("Mr. Liang") (Notes 1 and 5)	Interest in a controlled corporation; interest held jointly with another person	310,040,000	61.03%

*Notes:*

1. Pursuant to the deed of concert parties dated 11 August 2016 as supplemented by a supplemental deed dated 10 November 2016 and 15 November 2019 (the “**Deed of Concert Parties**”), Mr. Yue, Mr. Sie, Mr. Guan, Mr. Liang and Ms. Ma Chunru, a substantial shareholder of the Company (“**Ms. Ma**”) confirm, agree and acknowledge, among other things, that they are parties acting in concert in respect of the Group since 15 November 2019. As such, pursuant to the Deed of Concert Parties, each of Mr. Yue, Mr. Sie, Mr. Guan, Mr. Liang and Ms. Ma is deemed to be interested in 61.03% of the issued share capital of the Company.
2. Shares in which Mr. Yue is interested consist of (i) 55,070,000 Shares held by Worldgate Ventures Limited, a company wholly owned by him, in which Mr. Yue is deemed to be interested under the SFO; and (ii) 254,970,000 Shares in which Mr. Yue is deemed to be interested as a result of being a party acting-in-concert with Mr. Sie, Mr. Guan, Mr. Liang and Ms. Ma.
3. Shares in which Mr. Sie is interested consist of (i) 103,335,000 Shares held by Cohort Investments Limited, a company wholly owned by him, in which Mr. Sie is deemed to be interested under the SFO; and (ii) 206,705,000 Shares in which Mr. Sie is deemed to be interested as a result of being a party acting-in-concert with Mr. Yue, Mr. Guan, Mr. Liang and Ms. Ma.
4. Shares in which Mr. Guan 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 is deemed to be interested under the SFO; and (ii) 237,675,000 Shares in which Mr. Guan is deemed to be interested as a result of being a party acting-in-concert with Mr. Sie, Mr. Yue, Mr. Liang and Ms. Ma.
5. Shares in which Mr. Liang is interested consist of (i) 31,005,000 Shares held by Hugemind Investments Limited, a company wholly-owned by him, in which Mr. Liang is deemed to be interested under the SFO; and (ii) 279,035,000 Shares in which Mr. Liang is deemed to be interested as a result of being a party acting-in-concert with Mr. Sie, Mr. Yue, Mr. Guan and Ms. Ma.

Save as disclosed above, as at 30 June 2020, none of the Directors and chief executive of the Company had an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or was required to be recorded pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.



## OTHER INFORMATION

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

As at 30 June 2020, shareholders of the Company (the "Shareholders") (other than 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 Positions 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	55,070,000	10.84%
Ms. Li Duan ("Ms. Li") (Note 3)	Interest of spouse	310,040,000	61.03%
Cohort Investments Limited (Note 4)	Beneficial owner	103,335,000	20.34%
Ms. Chen Baozhu ("Ms. Chen") (Note 5)	Interest of spouse	310,040,000	61.03%
Copious Link Investments Limited (Note 6)	Beneficial owner	72,365,000	14.25%
Ms. Gu Wei ("Ms. Gu") (Note 7)	Interest of spouse	310,040,000	61.03%
Hugemind Investments Limited (Note 8)	Beneficial owner	31,005,000	6.10%
Ms. Bai Xiaoqian ("Ms. Bai") (Note 9)	Interest of spouse	310,040,000	61.03%
Silver Coral Developments Limited (Note 10)	Beneficial owner	48,265,000	9.50%
Ms. Ma (Notes 10 and 11)	Interest in a controlled corporation; interest held jointly with another person	310,040,000	61.03%
Sino Impact Limited	Beneficial owner	54,710,000	10.77%
Mr. Kwan Shan ("Mr. Kwan") (Note 12)	Interest in a controlled corporation; Interest of spouse	54,710,000	10.77%
Ms. Tam Suk Fan Sindy ("Ms. Tam") (Note 12)	Interest in a controlled corporation; Interest of spouse	54,710,000	10.77%

*Notes:*

1. As at 30 June 2020, the Company had 508,000,000 Shares in issue.
2. Worldgate Ventures Limited is wholly-owned by Mr. Yue. Under the SFO, Mr. Yue is deemed to be interested in the Shares held by Worldgate Ventures Limited.
3. Ms. Li is the spouse of Mr. Yue. Under the SFO, Ms. Li is deemed to be interested in the same number of Shares in which Mr. Yue is interested.
4. Cohort Investments Limited is wholly-owned by Mr. Sie. Under the SFO, Mr. Sie is deemed to be interested in the Shares held by Cohort Investments Limited.
5. Ms. Chen is the spouse of Mr. Sie. Under the SFO, Ms. Chen is deemed to be interested in the same number of Shares in which Mr. Sie is interested.
6. Copious Link Investments Limited is wholly-owned by Mr. Guan. Under the SFO, Mr. Guan is deemed to be interested in the Shares held by Copious Link Investments Limited.
7. Ms. Gu is the spouse of Mr. Guan. Under the SFO, Ms. Gu is deemed to be interested in the same number of Shares in which Mr. Guan is interested.
8. Hugemind Investments Limited is wholly-owned by Mr. Liang. Under the SFO, Mr. Liang is deemed to be interested in the Shares held by Hugemind Investments Limited.
9. Ms. Bai is the spouse of Mr. Liang. Under the SFO, Ms. Bai is deemed to be interested in the same number of Shares in which Mr. Liang is interested.
10. Silver Coral Developments Limited is wholly-owned by Ms. Ma. Under the SFO, Ms. Ma is deemed to be interested in the Shares held by Silver Coral Developments Limited.
11. Shares in which Ms. Ma is interested consist of (i) 48,265,000 Shares held by Silver Coral Developments Limited, a company wholly-owned by her, in which Ms. Ma is deemed to be interested under the SFO; and (ii) 261,775,000 Shares in which Ms. Ma is deemed to be interested as a result of being a party acting-in-concert with Mr. Yue, Mr. Sie, Mr. Guan, and Mr. Liang, pursuant to the Deed of Concert Parties.
12. Mr. Kwan and Ms. Tam, each holds 50% of Sino Impact Limited, which directly holds 54,710,000 Shares. By virtue of the SFO, Mr. Kwan and Ms. Tam are deemed to be interested in the 54,710,000 Shares in which Sino Impact Limited is interested.

Save as disclosed above, as at 30 June 2020, 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 pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Share Option Scheme", "Share Award Scheme" and "Directors' And Chief Executive's Interests in Shares" above, at no time during the six months ended 30 June 2020 and up to the date of this report, have the Directors and chief executive of the Company and their respective close associates (as defined in the Listing Rules) had any interest in, or had been granted or exercised any rights to subscribe for shares or underlying shares of the Company and/or its associated corporations (within the meaning of the SFO).

### COMPETING INTERESTS

During the six months ended 30 June 2020, none of the Directors or the controlling Shareholders or their respective associates (as defined in the Listing Rules) had an interest in any business which competes or may compete, either directly or indirectly, with the business of the Group or has any conflicts of interest which has or may have with the Group.

### DEED OF NON-COMPETITION BY CONTROLLING SHAREHOLDERS

On 21 November 2016, Cohort Investments Limited, Copious Link Investments Limited, Hugemind Investments Limited, Worldgate Ventures Limited, Mr. Yue, Mr. Sie, Mr. Guan and Mr. Liang (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 or 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.

On 15 November 2019, Ms. Ma has executed a supplemental deed (the "**Supplemental Deed**") to the Deed of Concert Parties dated 11 August 2016 (as amended and supplemented by a supplemental deed dated 10 November 2016) with Mr. Sie, Mr. Yue, Mr. Guan and Mr. Liang. Pursuant to the Supplemental Deed, Ms. Ma agrees and undertakes to act in concert with Mr. Sie, Mr. Yue, Mr. Guan and Mr. Liang in the operations, management and all significant matters relating to the Company and its subsidiaries. Accordingly, with effect from 15 November 2019, Mr. Sie, Mr. Yue, Mr. Guan, Ms. Ma and Mr. Liang are parties in concert and each of them is deemed to be interested in the shares of the Company indirectly held by the others pursuant to the SFO. Mr. Sie remains as the leader of the concert parties group.

Each Controlling Shareholder has confirmed to the Company of his/her/its compliance with the Deed of Non-Competition for the six months ended 30 June 2020. The independent non-executive Directors have also reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied by each of the Controlling Shareholders for the six months ended 30 June 2020.

## CORPORATE GOVERNANCE

The Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules and was not aware of any non-compliance relating thereto during the Period.

## THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

The Company has made specific enquiry to all Directors, who have confirmed that, during the Period, each of them were in compliance with the Model Code.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any securities of the Company during the Period.

## 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 Audit Committee has reviewed the Group’s financial results for the six months ended 30 June 2020 with the management and is of the view that such results complied with the applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

## Disclosure requirement under Rule 13.51B of the Listing Rules

On 22 June 2020, Mr. Yue Yong resigned as chairman of the Board (the “**Chairman**”) in order to devote more time in the research and development of new technologies as the Company’s chief technology officer. Mr. Yue remains an executive Director. Following Mr. Yue’s resignation as the Chairman, Mr. Guan Haiqing, who is an executive Director, was appointed as the Chairman on 22 June 2020. Details of the above have been set out in the Company’s announcement issued on the same day.

## OTHER INFORMATION

### EVENTS AFTER THE REPORTING PERIOD

There is no significant event of the Group during the period subsequent to 30 June 2020 and up to the date of this report.

By order of the Board  
**Vixel Technologies Holdings Limited**  
**Guan Haiqing**  
*Chairman*

Hong Kong, 28 August 2020

As at the date of this report, the executive Directors are Mr. Guan Haiqing, Mr. Sie Tak Kwan and Mr. Yue Yong; 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.

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

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 (Unaudited) RMB' 000	2019 (Unaudited) RMB' 000
REVENUE	5	36,147	40,380
Cost of sales		(15,446)	(16,184)
Gross profit		20,701	24,196
Other income and gains	5	2,216	5,751
Selling and distribution expenses		(3,601)	(3,910)
Research and development expenses		(11,226)	(11,512)
Administrative expenses		(6,551)	(6,935)
Impairment losses on financial and contract assets, net		64	40
Other expenses		(75)	(40)
PROFIT BEFORE TAX	6	1,528	7,590
Income tax expenses	7	373	(1,335)
PROFIT FOR THE PERIOD		1,901	6,255
OTHER COMPREHENSIVE INCOME		–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,901	6,255
Attributable to:			
Owners of the parent		2,224	6,255
Non-controlling interests		(323)	–
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted			
– For profit for the period		RMB0.44 cents	RMB1.23 cents

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property and equipment	9	221	482
Right-of-use assets		1,886	2,684
Other intangible assets		10,497	9,208
Contract assets	12	1,959	1,959
<b>Total non-current assets</b>		<b>14,563</b>	14,333
<b>CURRENT ASSETS</b>			
Inventories	10	2,720	1,858
Contract assets	12	90,255	90,510
Trade and bills receivables	11	23,109	18,202
Prepayments, other receivables and other assets		9,262	4,878
Cash and cash equivalents	13	79,488	80,873
<b>Total current assets</b>		<b>204,834</b>	196,321
<b>CURRENT LIABILITIES</b>			
Interest bank borrowing		10,000	–
Trade payables	14	6,384	6,517
Other payables and accruals		16,486	18,787
Lease liabilities		1,658	1,658
Tax payable		1,036	1,329
<b>Total current liabilities</b>		<b>35,564</b>	28,291
<b>NET CURRENT ASSETS</b>		<b>169,270</b>	168,030
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>183,833</b>	182,363
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		2,089	2,714
Lease liability		267	1,073
<b>Total non-current liabilities</b>		<b>2,356</b>	3,787
<b>Net assets</b>		<b>181,477</b>	178,576
<b>EQUITY</b>			
Issued capital	15	4,514	4,514
Reserves		176,052	174,062
<b>Capital and reserves attributable to the owners of the parent</b>		<b>180,566</b>	178,576
Non-controlling interests		911	–
<b>Total equity</b>		<b>181,477</b>	178,576

Guan Haiqing  
Director

Sie Tak Kwan  
Director

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 June 2020

		Attributable to owners of the parent							
		Issued capital	Share premium	Capital reserve	Statutory surplus reserve	Retained profits	Subtotal	Non-controlling interests	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2019</b>		4,514	81,929	30,674	9,993	44,003	171,113	-	171,113
Profit for the period		-	-	-	-	6,255	6,255	-	6,255
Total comprehensive income for the period		-	-	-	-	6,255	6,255	-	6,255
Final dividend for 2018		-	(5,348)	-	-	-	(5,348)	-	(5,348)
Transfer from retained profits		-	-	-	992	(992)	-	-	-
<b>At 30 June 2019 (Unaudited)</b>		4,514	76,581	30,674	10,985	49,266	172,020	-	172,020
<b>At 1 January 2020</b>		4,514	76,581	30,674	11,706	55,101	178,576	-	178,576
Capital contributions from non-controlling equity holders		-	-	-	-	-	-	1,000	1,000
Profit for the period		-	-	-	-	2,224	2,224	(323)	1,901
Total comprehensive income for the period		-	-	-	-	2,224	2,224	(323)	1,901
Transfer from retained profits		-	-	-	680	(680)	-	-	-
Deemed disposal of partial interest in a subsidiary		-	-	(234)	-	-	(234)	234	-
<b>At 30 June 2020 (Unaudited)</b>		4,514	76,581	30,440	12,386	56,645	180,566	911	181,477



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 (Unaudited) RMB' 000	2019 (Unaudited) RMB' 000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>1,528</b>	7,590
Adjustments for:			
Interest income		<b>(566)</b>	(358)
Depreciation	6	<b>269</b>	395
Amortization of other intangible assets	6	<b>1,151</b>	666
Net foreign exchange differences		<b>(367)</b>	–
		<b>2,015</b>	8,293
Increase in inventories		<b>(862)</b>	(1,912)
Decrease in contract assets		<b>254</b>	15,133
Increase in trade and bills receivables		<b>(4,908)</b>	(722)
Increase in prepayments and other receivables		<b>(4,384)</b>	(7,000)
Decrease/(Increase) in right-of-use asset		<b>797</b>	(533)
Decrease in trade payables		<b>(133)</b>	(982)
Increase/(decrease) in advances from customers		<b>(40)</b>	220
Decrease in other payables and accruals		<b>(2,258)</b>	(12,880)
Increase/(decrease) in lease liability		<b>(806)</b>	523
Cash generated from operations		<b>(10,325)</b>	140
Interest received		<b>566</b>	358
Income tax paid		<b>(546)</b>	(2,802)
Net cash flows used in operating activities		<b>(10,305)</b>	(2,304)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of items of property and equipment		<b>(8)</b>	(49)
Additions to other intangible assets		<b>(2,439)</b>	(1,299)
Placement of time deposits with original maturity over three months		<b>(7,000)</b>	–
Net cash flows used in investing activities		<b>(9,447)</b>	(1,348)

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 (Unaudited) RMB' 000	2019 (Unaudited) RMB' 000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Bank loans raised		10,000	–
Capital contribution from a non-controlling shareholder of a subsidiary		1,000	–
Dividends paid		–	(2,167)
<b>Net cash flows from/(used in) financing activities</b>		<b>11,000</b>	(2,167)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of period		80,873	70,669
Effect of foreign exchange rate changes, net		367	–
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>72,488</b>	64,850
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balance	14	79,488	64,850
Less: Time deposits with original maturity over three months		(7,000)	–
<b>Cash and cash equivalents as stated in the statement of cash flows</b>		<b>72,488</b>	64,850

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

## 1. CORPORATE INFORMATION

Vixtel Technologies Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 11 November 2015 as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. The address of the registered office of the Company is P.O. Box 1350, Clifton House 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The shares of the Company were listed on GEM of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 15 December 2016 (the “Listing Date”).

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

## 2. BASIS OF PRESENTATION

The interim condensed consolidated financial statements for the six months ended 30 June 2020 has been prepared in accordance with the Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statement, and should be read in conjunction with those of the annual report for the year ended 31 December 2019.

The unaudited consolidated results for the six months ended 30 June 2020 have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

## 3. NEW STANDARDS, INTERPRETATION AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards and interpretations effective as of 1 January 2020. The adoption of the new standards and amendments does not have a material impact on the accounting policies of the Group, and the amounts reported for the current period and prior periods. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

## 4. OPERATING SEGMENT INFORMATION

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

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

### Information about major customers

Revenue of approximately RMB33,743,000 for six months ended 30 June 2020 (six months ended 30 June 2019: RMB26,272,000) 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 RMB8,778,000 for six months ended 30 June 2020 (six months ended 30 June 2019: RMB5,987,000) was derived from sales to two provincial subsidiaries under common control by a state-owned telecommunication operator group and accounted for more than 10% of the total revenue.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

## 5. REVENUE, OTHER INCOME AND GAINS

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

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

	<b>For the six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB' 000</b>	RMB' 000
Revenue		
Integrated APM system solutions	<b>19,499</b>	18,879
Software development services	<b>8,065</b>	10,491
Technical services	<b>7,804</b>	9,260
Sales of embedded hardware and standard APM software	<b>779</b>	1,750
	<b>36,147</b>	40,380
Other income and gains		
Bank interest income	<b>566</b>	358
Government grants – related to expense*	<b>1,283</b>	5,373
Exchange gain, net	<b>367</b>	20
	<b>2,216</b>	5,751

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

## 6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2020 (Unaudited) RMB' 000	2019 (Unaudited) RMB' 000
Cost of inventories sold	580	260
Cost of services rendered	10,189	11,390
Employee benefit expenses (excluding directors' and chief executives' remuneration):		
Wages and salaries	13,214	15,421
Pension scheme contributions (defined contribution scheme)	133	1,065
	<b>13,347</b>	16,486
Research and development costs	11,226	11,512
Depreciation of property and equipment	269	395
Amortization of other intangible assets	1,151	666
Bank interest income	(566)	(358)
Foreign exchange difference, net	(367)	(20)

## 7. INCOME TAX

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of the Cayman Islands and accordingly is not subject to income tax. No Hong Kong profits tax has been provided since no assessable profit arose in Hong Kong during the period.

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

## 7. INCOME TAX (continued)

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

	For the six months ended 30 June	
	2020 (Unaudited) RMB' 000	2019 (Unaudited) RMB' 000
Current – PRC	252	1,335
Deferred	(625)	-
<b>Total tax charges for the period</b>	<b>(373)</b>	<b>1,335</b>

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

The calculation of the basic earnings per share for the period is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 508,000,000 (six months ended 30 June 2019: 508,000,000) in issue during six months ended 30 June 2020.

There were no potentially dilutive ordinary shares in issue during the six months ended 30 June 2020 and 2019, and therefore the diluted earnings per share amount is equivalent to the basic earnings per share.

	For the six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent (RMB' 000)	2,224	6,255
Shares		
Weighted average number of ordinary shares in issue	508,000,000	508,000,000
<b>Basic and diluted earnings per share</b>	<b>RMB0.44 cents</b>	<b>RMB1.23 cents</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

## 9. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired assets with a cost of RMB8,000 (six months ended 30 June 2019: RMB49,000) on additions to property and equipment.

No assets were disposed of by the Group during the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

## 10. INVENTORIES

	<b>30 June 2020 (Unaudited) RMB' 000</b>	31 December 2019 (Unaudited) RMB' 000
Raw materials	<b>2,720</b>	1,858

## 11. TRADE AND BILLS RECEIVABLES

	<b>30 June 2020 (Unaudited) RMB' 000</b>	31 December 2019 (Audited) RMB' 000
Trade receivables	<b>22,344</b>	17,447
Bills receivable	<b>881</b>	835
	<b>23,225</b>	18,282
Impairment	<b>(116)</b>	(80)
Trade and bills receivables	<b>23,109</b>	18,202

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

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



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

## 11. TRADE AND BILLS RECEIVABLES (continued)

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

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

	<b>30 June 2020 (Unaudited) RMB' 000</b>	31 December 2019 (Audited) RMB' 000
Within 90 days	<b>11,866</b>	6,377
90 to 180 days	<b>3,316</b>	7,184
180 days to 1 year	<b>4,438</b>	2,352
Over 1 year	<b>3,489</b>	2,289
	<b>23,109</b>	18,202

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

## 12. CONTRACT ASSETS

	<b>30 June 2020</b> <b>(Unaudited)</b> <b>RMB' 000</b>	31 December 2019 (Audited) RMB' 000
Non-current portion		
Contract assets arising from:		
Integrated APM system solutions	<b>1,387</b>	1,387
Software development services	<b>533</b>	533
Sales of embedded hardware and standard APM software	<b>49</b>	49
	<b>1,969</b>	1,969
Impairment	<b>(10)</b>	(10)
	<b>1,959</b>	1,959
Current portion		
Contract assets arising from:		
Integrated APM system solutions	<b>65,213</b>	68,248
Software development services	<b>22,748</b>	18,999
Sales of embedded hardware and standard APM software	<b>3,560</b>	4,567
Technical services	<b>–</b>	62
	<b>91,521</b>	91,876
Impairment	<b>(1,266)</b>	(1,366)
	<b>90,255</b>	90,510

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 13. CASH AND BANK BALANCES

	<b>30 June 2020 (Unaudited) RMB' 000</b>	31 December 2019 (Audited) RMB' 000
Cash and bank balances	<b>79,488</b>	80,873
Denominated in:		
RMB	<b>61,632</b>	60,192
HK\$	<b>17,856</b>	20,681

At the end of the reporting period, the cash and bank balances of the Group were denominated in RMB and HK\$. The RMB is not freely convertible into other currencies, however, under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates.

## 14. TRADE PAYABLES

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

	<b>30 June 2020 (Unaudited) RMB' 000</b>	31 December 2019 (Audited) RMB' 000
Within 90 days	<b>5,114</b>	5,477
90 to 180 days	<b>358</b>	460
180 days to 1 year	<b>595</b>	498
Over 1 year	<b>317</b>	82
Total	<b>6,384</b>	6,517

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 15. ISSUED CAPITAL

	<b>30 June 2020 (Unaudited) RMB' 000</b>	31 December 2019 (Audited) RMB' 000
Issued and fully paid:		
508,000,000 (2019: 508,000,000) ordinary shares of HK\$0.01 each	<b>4,514</b>	4,514

## 16. RELATED PARTY TRANSACTIONS

- (a) There was no related party transaction between the Group and its related party during the period ended 30 June 2020 and 30 June 2019.
- (b) Compensation of key management personnel of the Group:

	<b>For the six months ended 30 June</b>	
	<b>2020 (Unaudited) RMB' 000</b>	2019 (Unaudited) RMB' 000
Fee	<b>43</b>	52
Other emoluments:		
Salaries, allowances and benefits in kind	<b>3,099</b>	3,089
Pension scheme contributions	<b>109</b>	283
	<b>3,208</b>	3,372
	<b>3,251</b>	3,424

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 17. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Group as at the end of the reporting period are as follows:

Financial assets at amortised costs	<b>30 June 2020 (Unaudited) RMB' 000</b>	31 December 2019 (Audited) RMB' 000
Trade and bills receivables	<b>23,109</b>	18,202
Financial assets included in prepayments, other receivables and other assets	<b>5,821</b>	1,973
Cash and cash equivalents	<b>79,488</b>	80,873
	<b>108,418</b>	101,048
Financial liabilities at amortised cost	<b>30 June 2020 (Unaudited) RMB' 000</b>	31 December 2019 (Audited) RMB' 000
Trade payables	<b>6,384</b>	6,517
Financial liabilities included in other payables and accruals	<b>1,629</b>	3,000
	<b>8,013</b>	9,517

## 18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

## 19. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 28 August 2020.