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Vital Mobile Holdings Limited
維太移動控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6133)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHT

- Our Revenue decreased from RMB1,408.3 million to RMB406.1 million, representing a decrease of 71.2% or RMB1,002.2 million.
- Net profit of the Company attributable to shareholders amounted to RMB15.5 million compared to RMB180.9 million, representing a decrease of 91.4% or RMB165.4 million.
- Basic earnings per share for the year ended 31 December 2016 was approximately RMB2 cents (for the corresponding period in 2015: approximately RMB24 cents).
- The Board recommended the payment of a final dividend of HK2.000 cents (2015:HK5.055 cents) per ordinary share for the year ended 31 December 2016.

The board (the "Board") of directors (the "Directors" and each a "Director") of Vital Mobile Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2016 together with the comparative figures, which have been reviewed by the Company's audit committee (the "Audit Committee").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	NOTES	**2016** *RMB'000*	2015 *RMB'000*
Revenue	3	**406,134**	1,408,339
Cost of sales		**(386,291)**	(1,185,770)
Gross profit		**19,843**	222,569
Other gains and losses	4	**25,034**	46,412
Other income	5	**19,226**	12,245
Research and development costs		**(9,523)**	(18,601)
Selling and distribution expenses		**(10,736)**	(18,407)
Administrative expenses		**(24,603)**	(11,671)
Interest expenses		**(178)**	(3,619)
Listing expenses		**–**	(12,408)
Profit before tax	6	**19,063**	216,520
Income tax expenses	7	**(3,567)**	(35,621)
Profit and total comprehensive income for the year attributable to equity holders of the Company		**15,496**	180,899
Basic earnings per share (RMB per share)	8	**0.02**	0.24

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTES	**2016** **RMB'000**	2015 RMB'000
Non-current assets			
Equipment		**109**	150
Intangible assets	10	**44,895**	–
Deferred tax assets	11	**1,982**	4,309
		46,986	4,459
Current assets			
Inventories		**27,363**	124,151
Trade and other receivables	12	**376,213**	634,841
Structured deposits		**–**	420,000
Pledged bank deposits		**475,710**	762,248
Bank deposits		**430,857**	–
Cash and bank balances		**16,257**	41,248
		1,326,400	1,982,488
Current liabilities			
Trade and bills payables	13	**439,208**	1,034,988
Accrual and other payables	14	**20,601**	20,040
Deposits received from customers		**16,133**	19,407
Amount due to the controlling shareholder	15	**30,521**	–
Tax liabilities		**13,389**	28,985
Bank loan		**–**	16,200
Provision		**2,464**	10,343
		522,316	1,129,963
Net current assets		**804,084**	852,525
Total assets less current liabilities		**851,070**	856,984
Net assets		**851,070**	856,984
Capital and reserves			
Share capital	16	**67,041**	67,041
Share premium and reserves		**784,029**	789,943
Equity attributable to equity holders of the Company		**851,070**	856,984

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL INFORMATION

Vital Mobile Holdings Limited (the "Company") was established in the Cayman Islands as an exempted company with limited liability on 12 August 2014. The immediate and ultimate holding company of the Company is Winmate Limited ("Winmate") which is incorporated in the British Virgin Islands and is 90% and 10% owned by Ms. Rong Xiuli ("Ms. Rong") and Mr. Ni Gang ("Mr. Ni"), the husband of Ms. Rong, respectively.

On 26 June 2015, the Company was listed on the main board of The Stock Exchange of Hong Kong Limited. The registered office of the Company is Cricket Square, Hutchins Drive PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal places of business are located in Beijing and Hong Kong, the People's Republic of China ("PRC"). The Company is an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in mobile telecommunication services export operations in PRC.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB"):

Amendments to IFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27	Equity Method in Separate Financial Statement
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRSs	Annual Improvements to IFRs 2012- 2014 Cycle

The application of these amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs in issue but not yet effective

The Group has not earlier applied the following new and amendments to IFRSs that have been issued but are not yet effective.

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 15	Classification to IFRS 15 Revenue from Contracts with Customers[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 7	Disclosure Initiative[4]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses[4]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle[5]

[1] Effective for annual periods beginning on or after 1 January 2018

[2] Effective for annual periods beginning on or after 1 January 2019

[3] Effective for annual periods beginning on or after a date to be determined

[4] Effective for annual periods beginning on or after 1 January 2017

[5] Effective for annual periods beginning on or after 1 January 2017 or January 2018, as appropriate

IFRS 15 Revenue from Contracts with Customers and the related Amendments

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the HKICPA issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable for goods sold in the normal course of business, net of discounts.

Segment information

The Group operates and manages its business as a single operating segment that engaged in developing, designing, production management and selling mobile telecommunication devices and sales of mobile telecommunication related components and accessories, and selling mobile telecommunication devices with software/application insertion("ROM"), targeting global markets excluding the PRC. The Group's chief operating decision maker has been identified as the Chief Executive Officer, who reviews revenue analysis by major products and the gross profit of the Group as a whole when making decisions about allocating resources and assessing performance of the Group. As no other discrete financial statements are available for assessment of performance of different products, no segment information other than certain entity-wide disclosures are presented.

Revenue from major products

The following table sets forth a breakdown of the Group's revenue by major products during the relevant periods:

	2016	2015
	RMB'000	*RMB'000*
Smart phones	**392,017**	1,368,881
Smartphone component packs	**11,494**	1,562
Mobile device components	**2,623**	37,896
	406,134	1,408,339

4. OTHER GAINS AND LOSSES

	2016	2015
	RMB'000	*RMB'000*
Foreign exchange gain, net	**36,787**	47,369
Allowance in trade receivables	**(11,068)**	(1,457)
Others	**(685)**	500
	25,034	46,412

5. OTHER INCOME

	2016	2015
	RMB'000	*RMB'000*
Interest income on structured deposits	**7,395**	9,475
Interest income on pledged bank deposits	**6,006**	2,372
Interest income on bank deposits	**4,369**	–
Interest income on bank balances	**858**	398
Others	**598**	–
	19,226	12,245

6. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2016	2015
	RMB'000	*RMB'000*
Auditor's remuneration	**3,150**	2,820
Depreciation of equipment	**41**	58
Amortisation of intangible assests (included in cost of sales)	**760**	–
Directors' emoluments	**9,053**	2,508
Other staff cost		
– salaries and other allowance	**10,479**	16,101
– retirement benefit schemes contribution	**1,715**	3,618
– recognition of equity-settled share-based payment	**8,644**	–
Total staff costs	**29,891**	22,227
Cost of inventories recognised as an expense	**386,291**	1,185,770
Write down of inventories (included in cost of sales)	**14,341**	3,710
Operating lease rentals	**1,940**	1,778

7. INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
PRC Enterprise income tax ("EIT")		
– Current Tax in PRC	**–**	29,035
– Current Tax in HK	**3,851**	6,229
(Over) under provision in prior year – EIT	**(2,611)**	4,666
Deferred Tax *(Note 11)*	**2,327**	(4,309)
	3,567	35,621

The Company's subsidiary incorporated in Hong Kong is subject to the Hong Kong Profits Tax at 16.5%.

Under the Law of the PRC and Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the income tax rate of Beijing Benywave Wireless Communication Co., Ltd ("Benywave Wireless") is 25%. Since Benywave Wireless was recognised as "New and High Technology Enterprises" in 2015, it is entitled to apply a preferential tax rate of 15% for the years ended 31 December 2016 and 2015.

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016	2015
	RMB'000	*RMB'000*
Profit before tax	**19,063**	216,520
Tax calculated at applicable domestic tax rates (2016: 15%, 2015: 15%)	**2,859**	32,478
Tax effect of expenses not deductible for tax purposes	**8**	14
Tax effect of income not taxable for tax purpose	**(2,403)**	(2,104)
Effect of tax incentive granted	**(626)**	–
Effect of different tax rates of the entities operating in other jurisdictions	**350**	567
Tax effect of tax losses and deductible temporary differences not recognised	**5,990**	–
(Over) under provision in prior year	**(2,611)**	4,666
Income tax expense	**3,567**	35,621

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2016	2015
	RMB'000	*RMB'000*
Earnings for the purposes of basic earnings per share, representing profit for the year attributable to equity holders of the Company	**15,496**	180,899

	2016	2015
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposed of basic earnings per share	**850,000**	751,633

The weighted average number of shares for the purpose of calculating basic earnings per share for the year ended 31 December 2015 has been adjusted for the effect of the capitalisation issue.

There are no dilutive potential shares for both years.

9. DIVIDENDS

	2016	2015
	RMB'000	*RMB'000*
2015 Final dividend recognised during the year	**36,729**	–

On 23 March 2016, the board of directors recommended that subject to the Shareholders' approval in the annual general meeting of the Company, the Company shall declare and distribute a 2015 final dividend of HK5.055 cents per share amounted to HKD42,970,000 to those Shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 31 May 2016.

Subsequent to the end of the reporting period, final dividend of HKD17,000,000 (approximated to RMB15,082,000) in respect of the year ended 31 December 2016 is proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

10. INTANGIBLE ASSETS

	Software technology *RMB'000*
Cost	
Addition and as at 31 December 2016	45,655
Amortisation	
Charge for the year and as at 31 December 2016	760
Carrying Amounts	
As at 31 December 2016	44,895

In October 2016, the Group and Beijing Gu Li Technology Co., Ltd ("Gu Li") entered into a software transfer agreement pursuant to which the Group acquired certain softwares for ROM business from Gu Li at a total consideration of RMB45,655,000.

According to business license of Gu Li, Ms. Rong's daughter Ms. Gao Han ("Ms. Gao") holds 70% equity interest in Gu Li. However, the Directors are of the opinion that Gu Li is not a related party of the Group because Ms. Gao holds the said 70% equity interest in Gu Li as trustee of an independent third party since December 2015 in accordance with a declaration of trust entered into between Ms. Gao and that independent third party.

The software technology is amortised over 10 years.

11. DEFERRED TAX ASSETS

The movements of the Group's deferred tax assets during the year are as follows:

	Write down of inventory *RMB'000*	Allowance for doubtful debts *RMB'000*	Accrued expense and cost *RMB'000*	Total *RMB'000*
At 1 January 2015	–	–	–	–
Credit to profit or loss	557	219	3,533	4,309
At 31 December 2015	557	219	3,533	4,309
Credit to profit or loss	(557)	(219)	(1,551)	(2,327)
At 31 December 2016	–	–	1,982	1,982

Deferred tax assets have not been recognised in respect of the following items:

	2016	2015
	RMB'000	*RMB'000*
Tax losses	**10,601**	–
Deductible temporary differences		
Impairment loss on trade receivables	**12,525**	–
Write down of inventories	**14,341**	–
Provision	**2,464**	–
	39,931	–

No deferred tax asset has been recognised in relation to the unutilised tax losses and deductible temporary differences due to the unpredictability of future profit streams of the relevant entities and it is not probable that taxable profit will be available against which the tax losses and the deductible temporary differences can be utilised.

12. TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**118,141**	351,697
Less: allowance for doubtful debts	**12,525**	1,457
	105,616	350,240
Other receivables		
– Value added tax receivables	**645**	82,626
– Advance to a major supplier (i)	**107,000**	–
– Advance to a major customer (i)	**28,442**	–
– Interests receivables	**7,824**	4,665
– Others	**309**	311
Prepayments to suppliers (ii)	**126,377**	196,999
	376,213	634,841

Note:

(i) The amount is non-trading in nature, unsecured and non-interest bearing. The amount will be repaid within one year.

(ii) As at 31 December 2016, the balance included prepayments to a major supplier of RMB124,791,000. Relevant orders were cancelled due to changes of marketing situation. According to the repayment schedule agreed between the Group and the supplier, RMB100,000,000 has been repaid by the supplier in February 2017. The Directors are of the opinion that the remaining balance of RMB24,791,000 will be fully settled in the next twelve months.

The Group allows an average credit period of 60 days to its trade customers. The Group assesses the customer's credit quality by evaluating their historical credit records and defines credit limits for each customer. Recoverability and credit limit of the existing customers are reviewed by the management regularly.

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates.

	2016	2015
	RMB'000	*RMB'000*
Within 60 days	**6,601**	229,020
61 to 180 days	**17,992**	109,820
181 days to 1 year	**4,875**	11,400
1 year to 2 years	**76,148**	–
	105,616	350,240

13. TRADE AND BILLS PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables *(Note)*	**47,820**	350,760
Bills payable	**391,388**	684,228
	439,208	1,034,988

Note: The balances included the payables to Vanchip (Tianjin) Electronic Technology Co. Ltd ("Vanchip"), which is controlled by Ms. Gao. The amount is RMB5,268,000 as at 31 December 2016 (2015: RMB5,268,000). According to the three parties' agreement signed between Benywave Wireless, Vanchip and Benywave Technology Co., Ltd. ("Benywave Technology"), the payables were settled by the borrowings between Vanchip and Benywave Technology, the Company should pay off the debt to Benywave Technology in the future.

The following is an aged analysis of trade payables presented based on the recognition date of inventory at the end of the reporting period:

	2016	2015
	RMB'000	*RMB'000*
Within 90 days	**40**	259,830
91 to 180 days	**3,297**	59,069
181 days to 1 year	**13,187**	27,779
Over 1 year	**31,296**	4,082
	47,820	350,760

14. ACCRUAL AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Payable for insurance premium and freights	**1,934**	1,070
Staff cost payable	**1,143**	1,516
Royalties payable	**13,210**	13,210
Others	**4,314**	4,244
	20,601	20,040

15. AMOUNT DUE TO THE CONTROLLING SHAREHOLDER

The amount represents the advance to the Group from the Company's controlling shareholder, Ms. Rong, which is unsecured, non-interest bearing and will be matured in November 2017.

16. SHARE CAPITAL

	Number of shares	**per share**	**Share capital**
		HKD	***HKD***
Authorised			
On 12 August 2014 incorporation (Note i)	**500,000**	**0.1**	**50,000**
Increase on 9 June 2015 (Note ii)	**999,500,000**	**0.1**	**99,950,000**
At 31 December 2016 and 2015	**1,000,000,000**		**100,000,000**
Issued			
On 12 August 2014 incorporation (Note i)	**100**	**0.1**	**10**
Shares issued to the shareholders (Note iii)	**900**	**0.1**	**90**
Shares increased by capitalisation issue (Note iv)	**645,999,000**	**0.1**	**64,599,900**
Shares issued under global offering (Note v)	**204,000,000**	**0.1**	**20,400,000**
At 31 December 2016 and 2015	**850,000,000**		**85,000,000**

	RMB'000
Presented as	**67,041**

Notes:

(i) On 12 August 2014, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with authorised share capital comprised of 500,000 shares at par value of HKD0.1 per share. Upon its incorporation, 1 subscriber share of par value of HKD0.1 was allotted, issued and credited as nil paid to a third party as the initial subscriber. On the same day, the third party transferred the one share to Winmate. Furthermore, 92 new shares and 7 new shares with par value of HKD0.1 each were issued and allotted to Winmate and Favor Gain Enterprises Limited ("Favor Gain"), respectively pro-rata to their respective shareholdings in Vital Profit Technology Inc. ("Vital Profit"). None of the 100 shares in the Company issued to Favor Gain and Winmate were paid up on allotment.

(ii) On 9 June 2015, pursuant to a shareholders' resolution, the authorised share capital of the Company was increased to HKD100,000,000 divided into 1,000,000,000 shares of par value of HKD0.1 each by the creation of an additional 999,500,000 shares, which shall rank pari passu in all respects with the shares in issue prior to such increase.

(iii) On 26 May 2015, 837 shares were issued by the Company to Winmate at par value. These 837 shares together with the 93 shares previously allotted were fully paid up at par value. On 9 June 2015, a further 63 shares were issued by the Company to Favor Gain at par value. These 63 shares together with the 7 shares previously allotted to Favor Gain were fully paid up at par value.

(iv) Pursuant to the written resolution passed by the shareholders of the Company on 9 June 2015 conditional upon the listing of the Company's shares on The Stock Exchange of Hong Kong Limited, the Directors were authorised to capitalise the amount of HKD64,599,900 (approximated to RMB50,951,000) from the amount standing to the credit of the share premium account of the Company to pay up in full at par of 645,999,000 shares for allotment and issue to the then existing shareholdings in the Company.

(v) On 26 June 2015, 204,000,000 new shares have been subscribed under the global offering and the offer price was HKD2.48 per share.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The mobile phone market has experienced one of the biggest re-adjustment in recent years. Not only have we seen a big shift of top players in mobile phone shipment rankings, we have also witnessed one of the largest number of leading brands collapse, change of ownerships and companies restructured beyond recognition, both internationally and regionally. We were particularly affected in the regional market niches, where local big brands suffered from large unmoving inventories, slow sales and cash-flow issues.

From the start of the year 2016, we faced a challenging global economy with extreme economic upheavals, fluctuating exchange rates, consumer sentiment being weak all over the world, which exerted pressure on the prices and profit margins of smart phones. We have witnessed that some of the top and strong Independent Design House ("IDH") modified their business model to Original Design Manufacture ("ODM") serving the growing Chinese brands. The overall ODM market grew in 2016 by a small single digit percentage. However, these came from the rapid growth of Chinese brands which eat into our customer base (Local Kings) in the emerging market; we lost the market shares as our customers lost their market position as well.

As an export orientated ODM smartphone supplier company, the Group had found it especially difficult to deal with such adverse operating condition. We have seen many of our customers retrenched to sell fewer models in order to improve their cash position; we have also been cautious in controlling credit default risks, such that we had to give up some opportunities just to make sure that we will be able to control the risks through operating different channels and collaborating with different partners.

For the year ended 31 December 2016, the Group reported total sales volume of handsets and other products reaching 640,000 units, representing a year-on-year decrease of 80%, of which, the modified smart devices sales decreased by 37% year-on-year to 344,000 units. Owing to our strategy, focusing on 4G smartphone and software development and the loss of some of the major business partners, the overall average selling price ("ASP") of the Group's products increased from USD64.4 in 2015 to USD92.4 in 2016.

During the year, the Group's overall revenue decreased by 71.2% year-on-year to RMB406.1 million. Faced with these market trends, the Group reformed its marketing strategy to start adding new products and services offerings such as providing a smart devices modification to supplement the loss in ODM direct businesses. The Group applied stringent controls on costs and expenses and adhered to its effective "Step Up" product strategy, continuing to enhance operational performance.

During the year, gross profit decreased by 91.1% year-on-year to RMB19.8 million, with gross profit margin decreased to 4.9%, compared to 15.8% in 2015.

We have streamlined our Research and development ("R&D") and sales operations so as to contain our costs. The Group's operating expenses including R&D costs, selling and distribution costs and administrative expenses were RMB44.9 million, representing an operating expenses ratio of 11.1%. A lean, efficient organizational structure allowed the Group to respond to market changes in a timely manner, and to maintain its profitability at a healthy and stable level.

Net profit decreased by 91.4% year-on-year to RMB15.5 million, while net profit margin was 3.8%. Basic earnings per share ("EPS") decreased to RMB2 cents (2015: RMB24 cents).

The Board has recommended a final dividend of HK2.000 cents (2015:HK5.055 cents) per share for the year ended 31 December 2016.

General Discussion

With the generally poor economic situation and the major shifting trends in the mobile phone market on both the demand and the supply side, we have been proactively working on all directions. Our mission is to preserve and grow our company value and we have started to find additional resources and reorganize ourselves to suit the changing market conditions. We have been working with our partners, customers and supply base to develop our organization to capture the best available opportunities. We maintained our support to our ODM partners. However, in the course of the first half of the year, we came to realize that most of our traditional top tier customers were running into difficulties. In the second half, we started to build new business with some of the smaller customers. We reorganized the teams to match the support and business levels. During the second half of 2016 we focused on risk and credit control and we implemented stringent credit control to minimise the credit risks.

In 2016, we started to re-align many of the products, production and purchasing functions and we changed our business model to match some of the customers' needs. It also allowed us to reduce the overhead costs and enabled us to recruit some key personnels after the re-organization. We are in the development stage trying to re-align our group vision and strategy.

During Q3 2016, we had also brought forward our alternative plan in which we were trying to build on our technical knowledge, marketing, sales channel, supply chain, logistics and financial capabilities. We have been developing many of the newer business activities and business models to spur further business growth, these included new online sales channel, technical modifications and software enhancement to the mobile handsets. We were preparing ourselves to work with third party mobile phone suppliers and brands, which we called our "Market Brand Plus" or "Market Brand +". Not only were we working with our existing customers through the ODM products, many of our customers can and will also sell other branded mobile devices and accessories; we wanted to become their business enabler. Adding to this, our online channel will supplement well with our offline channels. It has taken us months to develop this new infrastructure. Since 2017, we have engaged in various cooperative ventures and new deals will be announced in due course.

We have started to supply our customers with software and firmware products including ROM modification, Interface, UI improvement, Corporate Identity, Embedded Software and CPM Program. In order to strengthen this area, we are working on recruiting or acquiring a new team that will be working on the software and firmware platform, and we have acquired several IP's to support this effort as the R&D team that we already have is too small to cover these areas.

With this in mind, the management of the Group has started its "Market Brand +" vision as a driver of change. With the combination of New ODM smart phones and the "Market Brand +" business transformation strategy, the Group applied "Brands + Services" to its products and developed the new service platform model.

We are working to establish an integrated, one-stop product and service platform, positioning the Group to be a global leading player both as a manufacturer of smart devices and one of the key total service providers for the B2B markets.

- We are building on our successful model in the ODM business to provide a platform for a bigger customer base than the ODM model, namely local brands in the export countries.

- The platform provides multiple export paths for different tiers of mobile phone manufacturers and IDH to export to all the resellers, retail, wholesale, online and offline.

- The platform provides services and products on the mobile phone eco-system. We are making our profits by providing value to our customers

  - In products, R&D, ROM modification, Interface, UI improvement, Corporate Identity Marketing, Embedded Software and CPM Program

  - In services, including supply base management and financing, logistics, tax advisories, local storage and product and service fulfillment

  - Building up new sales channel online and offline

The "Market Brand +" will be a more versatile and flexible business model than our original ODM model.

Regional Business and our Customer Base

Customer Mix

Most of 2016, we have experienced problems with foreign exchange and currency control issues affecting our customers in Russia, India and South America. In fact, as our leading customers suffered, our customer mix had taken a dramatic change.

The competition has intensified as the top IDHs had moved to supply ODM handsets to the leading Chinese brands especially in the export market. It caused a major market share loss to our existing customer base which in turn hurt our business. In the second half of 2016, we had to work with our smaller customers to recover our market share loss.

Among the top five customers of 2016 is the new India 4G Operator who had risen from outside of India's top 20 smartphone vendor to number 4; we have worked with them very earlier on and developed them from almost zero to one of our top five customers. We could have obtained more business from them but the Indian market in general was still suffering and the competition from other new brands are eating into the market shares and units of mobile device that they could have taken from us.

Our other top five customers come via many of our new online and offline channels.

Business Mix

We have been focusing on shipping our ODM to our newly established customers since Q3 2016. Starting from Q3 2016, we have been shipping products through our "Market Brand +" program. We achieved RMB246.1 million of shipment for 2016.

The revenue is roughly divided into traditional ODM business of RMB160.0 million and New Programs of RMB246.1 million.

We have been working with many partners and entered into a few negotiations. We are hoping to close some of these negotiations and speed up our new programs.

New Product and Services Initiatives

We have started the year with several new business initiatives and started negotiations with many potential partners.

ODM business optimization: Outsourcing hardware solution and strengthening software customization capabilities.

Outsourcing Hardware Solution Business

In 2016, shortage of, and varying price hikes on, raw materials of handsets (such as display panels and memory) further prolonged the inventory turnover period. To better control the risks arising from hardware delivery, speed up the pace of delivery and reduce costs, we started to re-align the hardware operation of most of our projects. We have found that we are able to make better use of the strengths of third party supply base companies which have acute market response and strong delivery capacity. We were able to combine our technical knowledge base and the depth of the third party supply base to develop a new supply chain and logistics business model.

Strengthening Software Customization Capability

Every regional major brand, "Local King", had its own unique user interface ("UI") design. Regional operators set a higher standard for user management. Meanwhile, the Company had unique understanding and strengths in second development of application software and setting up user eco-system. Thus, we will strengthen our capability in software development, so as to provide product end-users with smoother and more convenient internet service. Further, this would bring second profit to our direct "Local King" customers on top of profit from selling hardware. We have acquired several IP's to strengthen the capabilities in this area. We believe our team working directly with the third party providers will be able to allow us to provide many combinations of product offering to our end customers.

Overseas Distribution of Domestic Quality Brands

With over ten years of overseas business operations, the Group has established an extensive and close network of customers throughout the world. The Group has maintained its own core customers in different market places. Many of the "Local King" customers used to be or currently are the key local business partners of first tier brands.

It is our belief that many PRC brands will be delighted to engage us to provide our global network and resources in order to promote their products in major markets across the world within a short space of time. Compared to starting from the beginning, this mode of partnership, definitely generate surprisingly great efficiency.

Supply Chain, Local Warehousing and Logistics Services

Combining the capabilities and channels of the above-mentioned new initiative and our core capabilities, we are able to work with some of our partners to provide a full service business cycle from technology, design, development, prototype, production, sales and marketing, supply chain, finance and tax advisory, logistics and after sales services. This one stop service business model will allow us to gain more margins at different stages.

Outlook

The most recent market reports have indicated that the market is bottoming out. Whereas the first half of 2016 showed little or no growth in many of our operating areas, Q4 2016 showed a healthier growth rate, even though with an early Chinese New Year holidays, the real consumption-driven growth should be better than that of late 2015 quarter or the first half of 2016.

Similar to our Group, many of the mobile device providers have announced plans to change their business models. For instance, one famous smartphone brands announced their new marketing and distribution plan that they would create 16,000 offline stores to supplement their current network including online and offline sales channels. This goes to show that the market is looking to sales revival as the inventory issues are subsiding, and particularly, there seems to be some tightness in the supply base such as metal case, memory, display, etc. We have confidence that some of our ODM customers will be able to return to their healthy run-rate, especially in South America, Eastern Europe, Africa and Southeast Asia. We will however be mindful of the 2015/2016 problems and will be very selective in choosing our key customers. Our focus is for a long term partnership that will bring steady profit to both sides. We are also looking to work with strong players who not only focus on product profitability but also on services and quality. We are going to offer a limited number of high end phones with specifications rivalling that of the tier one suppliers; we will be offering software support to match the local requirements, especially those software that we can create income stream for our customers and probably also for the Group.

With the dynamics of the mobile phone markets, we are focusing our business in the emerging markets in South America, Southeast Asia, Eastern Europe and some parts of Africa.

We are fully committed to working back into our market shares in the ODM business. We have been planning to attend the GSMA in Spain, CES in the US and a number of the prominent trade shows in 2017. We have re-engaged to work with some of our old partners and offering not just product supports and services but may be borrowing from the "Market Brand +" program, to offer similar business service supports. Nevertheless, we anticipate the volume of ODM business will not be back to the 2015 level but we anticipate these will provide access for us to expand in other business segments. It is this challenging operating environment that has prompted the management of the Group to look for better opportunities in the mobile phone market. We believe that whilst there are a lot of bad news in early 2016, the market size of the mobile phone is still very large. We still believe that with an annual market size of over 2 billion phones, it is still the largest single electronic device market in the world even though the market only grew at 3% year-on-year in 2016.

Our second focus in the "Market Brands +" program is one that will provide extra dimension in the mobile devices eco-system. It will allow us to penetrate into different market channels, unify a number of business steps and offer a new eco-system for the mobile industry. We like to see that this will allow us to be able to provide participants in the mobile value chain to focus on the activities they do best, whereas we will provide the interlacing support to fulfill their product and services support requirements. Whilst we have been working on this program, we would like to speed this up by working with some strategic partnerships to allow us to accelerate the process.

Despite our continuing effort to improve, we anticipate we are still facing a very difficult operating environment for the first half of 2017 and accordingly, we are working to improve our profit in the second half of 2017. The Group's management believes that the financial position of the Group remains healthy and is confident in the long-term outlook for the Group.

To strengthen the "Market Brand + "business, the Group has been working with a number of possible partners to form alliance or deeper working relationship.

In the coming year, the Group expects improvement in smart device sales with the new range of smart devices coming on stream. The Group will continue to maintain efficient credit controls and currency hedging policies. The Group will also further enhance its four core competencies in product technology, industry (including system management), branding and internet application services. This forms the new "Products + Services" business model, based on principles of encompassing innovative breakthroughs, open cooperation, re-organization and consolidation. Its aim is to unleash the potential for future business growth.

In conclusion, for 2017 we will build our business on last year's solid business foundation and healthy financial position. We will aim to enhance our four core competencies, namely product technology, distribution (online and offline) channels, branding and supply chain services. We will be actively developing user-friendly smart devices including Internet of things and various components and products that are used in the mobile, automotive, industrial applications. We will be building on our capabilities in application services, and establishing a comprehensive, expandable service and integrated service platform in order to engage every business opportunity to become a leading player in the mobile device maker and total service enterprise.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately RMB1,002.2 million or 71.2% to approximately RMB406.1 million for the year ended 31 December 2016 from approximately RMB1,408.3 million for the year ended 31 December 2015. The following table sets forth the breakdown of the Group's revenue by product type:

	2016		2015	
	RMB'000	*%*	*RMB'000*	*%*
Smart phones	**392,017**	**96.5**	1,368,881	97.2
Smartphone component packs	**11,494**	**2.8**	1,562	0.1
Mobile device components	**2,623**	**0.7**	37,896	2.7
	406,134	**100.0**	1,408,339	100.0

Note: Mobile device components are purchased by the Group's customers for providing after-sale maintenance services to their end users.

The Group's revenue generated from sales of smart phones decreased from approximately RMB1,368.9 million for the year ended 31 December 2015 to approximately RMB392.0 million for the year ended 31 December 2016, representing a decrease of 71.4%. During the year ended 31 December 2016, the Group's revenue was mainly derived from 4G smartphones. The revenue of 4G smartphones decreased from approximately RMB949.9 million for the year ended 31 December 2015 to approximately RMB374.2 million for the year ended 31 December 2016. The revenue of 3G smartphones decreased from approximately RMB419.0 million for the year ended 31 December 2015 to approximately RMB17.8 million for the year ended 31 December 2016. The decrease in revenue was mainly due to (i) slowdown in the growth of global mobile phone market since the last quarter of 2015, resulting in high inventory and competitive pricing in the mobile phone market; and (ii) an increase in the number of competitors in the export market of mobile devices on ODM basis which is the business model adopted by the Group.

The following table sets forth the breakdown of the Group's revenue by geographical regions for the years indicated:

	2016		2015	
	RMB'000	*%*	*RMB'000*	*%*
Hong Kong	**244,807**	**60.3**	531,535	37.7
Southeast Asia	**33**	**0.1**	4,461	0.3
South Asia	**125,506**	**30.9**	90,737	6.4
Taiwan	**2,369**	**0.5**	248,392	17.6
Other parts of Asia	**1,981**	**0.5**	100,375	7.2
Europe	**10,087**	**2.5**	129,844	9.2
South America	**11,517**	**2.8**	2,316	0.2
North America	**1,358**	**0.3**	126,227	9.0
Africa	**8,476**	**2.1**	174,452	12.4
	406,134	**100.0**	1,408,339	100.0

Notes:

1. Sales to Hong Kong mainly comprised of sales to certain mobile trading companies incorporated in Hong Kong who sell smart phones to various countries including but not limited to Thailand, Malaysia, Russia and Ukraine.

2. Southeast Asia includes Philippines, Thailand, Vietnam and Indonesia.

3. South Asia includes India and Bangladesh.

4. Other parts of Asia includes Yemen, Pakistan and The United Arab Emirates.

5. Europe includes France, Romania, Russia, Cyprus, Portugal and Italy.

6. South America includes Brazil, Argentina and Venezuela.

7. North America includes United States of America.

8. Africa includes South Africa, Algeria and Morocco.

The Group's revenue generated from sales in Hong Kong decreased from approximately RMB531.5 million for the year ended 31 December 2015 to approximately RMB244.8 million for the year ended 31 December 2016, representing a decrease of 53.9%.

During the year ended 31 December 2016, the Group's revenue generated from sales in South Asia was approximately RMB125.5 million, representing an increase of 38.3%. Meanwhile, the Group's revenue generated from sales in this area accounted for 30.9% of the total revenue, as a result of stable demand in South Asia and decline in total sales volume.

During the year ended 31 December 2016, the Group's revenue generated from sales in South America increased from approximately RMB2.3 million for the year ended 31 December 2015 to approximately RMB11.5 million for the year ended 31 December 2016, representing an increase of 400.0%. The increase was mainly due to the sales of smartphone component packs to a certain customer in South America.

Gross Profit and Gross Profit Margin

	2016		2015	
	RMB'000	***%***	*RMB'000*	*%*
Smartphones	**21,232**	**5.4**	221,371	16.2
Smartphone component packs	**(1,274)**	**(11.1)**	440	28.2
Mobile device components	**(115)**	**(4.4)**	758	2.0
	19,843	**4.9**	222,569	15.8

Gross profit amounted to approximately RMB19.8 million for the year ended 31 December 2016, decreased by approximately RMB202.8 million or 91.1% from approximately RMB222.6 million for the year ended 31 December 2015. The gross profit ratio decreased by 10.9% from 15.8% for the year ended 31 December 2015 to 4.9% for the year ended 31 December 2016. The decline in gross profit ratio of smartphones was mainly attributable to (i) the increase in sales proportion of 4G products with lower gross profit margin; (ii) the negative gross profit margin of smartphone component packs and mobile device components was mainly due to the write down of inventories on a basis of management estimation.

Research and Development Costs

Research and development costs mainly include R&D staff costs (including salaries and allowances, staff welfare and other staff related expenses) and product test costs. Research and development costs amounted to approximately RMB9.5 million for the year ended 31 December 2016, decreased by approximately RMB9.1 million or 48.9% from RMB18.6 million for the year ended 31 December 2015. The decrease was mainly because (i) the product test costs for developing functionality and feasibility of the new design has declined due to less ODM smart phones sold for the year; and (ii) the number of staff decreased due to the downsizing of business for the year.

Selling and Distribution Expenses

Selling and distribution expenses mainly include sales staff costs and freight charges, office expenses, marketing expenses and others. Selling expenses amounted to approximately RMB10.7 million for the year ended 31 December 2016, decreased by approximately RMB7.7 million or 41.8% from approximately RMB18.4 million for the year ended 31 December 2015. The decrease was primarily due to (i) the decrease in freight charges and market expense as a result of the decreased sales; (ii) the increase in staff cost due to the impact of the vested restricted share unit(s) ("RSU" or "RSUs").

Administrative Expenses

Administrative expenses mainly include staff costs for administrative employees, audit fees and general office expenses. Administrative expenses amounted to approximately RMB24.6 million for the year ended 31 December 2016, increased by approximately RMB12.9 million or 110.3% from approximately RMB11.7 million for the year ended 31 December 2015. The increase was primarily due to the impact of the vested RSUs.

Other Income

Other income mainly consisted of the interest income of the structured deposits, pledged bank deposits and bank deposits which amounted to approximately RMB19.2 million for the year ended 31 December 2016.

Taxation

Income tax decreased by approximately RMB32.0 million or 89.9% to approximately RMB3.6 million for the year ended 31 December 2016 from approximately RMB35.6 million for the corresponding period in 2015. The decrease was mainly attributable to the decrease of profit before tax. Benywave Wireless was entitled to apply a preferential tax rate of 15%, while the Company's subsidiary incorporated in Hong Kong is subject to the Hong Kong Profits Tax at 16.5%.

Liquidity and Source of Funding

As at 31 December 2016, the Group's total cash and bank balances decreased by approximately RMB24.9 million from approximately RMB41.2 million as at 31 December 2015 to approximately RMB16.3 million. The variance of cash and bank balances for the period was due to net cash from investing activities, net cash used in operating activities and financing activities.

As at 31 December 2016, the current ratio (calculated based on the total current assets as of the respective dates divided by the total current liabilities as of the respective dates) of the Group was 2.5 as compared with 1.8 as at 31 December 2015.

Foreign Exchange Exposure

The Group undertakes certain operating transactions in foreign currencies and the bank balances of the proceeds from the global offering denominated in foreign currencies, which expose the Group to foreign currency risk. The Group does not use any derivative contracts to hedge against its exposure to currency risk. The management manages its currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should the need arise.

Material Acquisitions and Disposals

The Group has no material acquisitions and disposals for the year ended 31 December 2016.

Trade and other Receivables

Trade and other receivables are mainly included the trade receivables, advance to a major supplier and prepayments to suppliers. As at December 2016, the carrying amount of trade and other receivables are approximately RMB376.2 million which is net of allowance of trade receivables, representing a decrease of approximately RMB258.6 million.

In assessing the recoverability of trade receivables and determining the allowance for doubtful debts, the management considers the credit history including default or delay in payments, subsequent settlements and aging analysis of the trade receivables, on the basis of management estimation, the allowance of trade receivables is approximately RMB12.5 million as at December 2016. The amount of trade receivables over 60 days are approximately RMB99.0 million, which are past due but not provided for impairment loss.

Intangible Assets

As at 31 December 2016, the Group had a balance of approximately RMB44.9 million for intangible assets. In October 2016, the Group and Beijing Gu Li Technology Co., Ltd (the "Gu Li") entered into a software transfer agreement pursuant to which the Group acquired certain softwares for ROM business from Gu Li at a total consideration of approximately RMB45.7 million.

According to the business license of Gu Li, Ms. Rong's daughter Ms. Gao Han ("Ms. Gao") holds 70% equity interest in Gu Li. However, the directors are of the opinion that Gu Li is not a related party of the Group because Ms. Gao holds the said 70% equity interest in Gu Li as trustee of an independent third party since December 2015 in accordance with a declaration of trust entered into between Ms. Gao and that independent third party.

The software technology is amortised over 10 years.

Inventories

As at 31 December 2016, the Group's total inventories decreased by approximately RMB96.8 million from RMB124.2 million (net of allowance RMB3.7 million) as at 31 December 2015 to RMB27.4 million (net of allowance RMB14.3 million). In determining the write down of inventories, the management considered the recent or subsequent selling prices and aging information of inventories.

Contingent Liabilities and Commitments

As at 31 December 2016, the Group had commitments, which amounted to approximately RMB1.9 million, for future minimum lease payments under non-cancellable operating leases. The operating lease payments commitments represent rental payable by the Group for offices and equipment rental. The lease was negotiated for lease terms of one to two year. Monthly rental was fixed for certain lease.

Continuing Connected Transactions

Pursuant to an equipment lease agreement made between Benywave Technology and Benywave Wireless, Benywave Technology has let certain equipment and facilities to Benywave Wireless for handset testing purpose. Amounting to RMB70,000 rental expenses were incurred by Benywave Wireless for the year ended 31 December 2016.

Pursuant to a lease agreement made between Beijing Tianyu Communication Equipment Co., Ltd. ("Tianyu") and Benywave Wireless, Tianyu has let the premises situated at Zone A, 4th Floor, No. 55, Jiachuang Second Road, Zhongguancun Science Park, OPTO-Merchatronics Industrial Park, Tongzhou District, Beijing, China to Benywave Wireless for carrying on its business. Amounting to RMB764,000 rental expenses were incurred by Benywave Wireless for the year ended 31 December 2016.

Pursuant to a service agreement made between Henan Ketai Lexun Communication Equipment Industry Park Co.Ltd("Ketai") and Benywave Wireless, Ketai provided declaring and export tax refund service to Benywave Wireless for the oversea sales. Amounting to RMB422,000 service expenses were incurred by Benywave Wireless for the year ended 31 December 2016.

Pursuant to a purchase contract made between Ketai and Benywave Wireless, Benywave Wireless purchased goods from Ketai which amounted to RMB1,463,000.

Dividend

On 23 March 2016, the Board recommended that subject to the Shareholders' approval in the annual general meeting of the Company, the Company shall declare and distribute a 2015 final dividend of HK5.055 cents per share amounted to HKD42,970,000 to those Shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 31 May 2016.

Subsequent to the end of the reporting period, final dividend of HKD17,000,000 (approximated to RMB15,082,000) in respect of the year ended 31 December 2016 is proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

CLOSURE OF REGISTER OF MEMBERS

(a) Annual General Meeting

The register of members of the Company will be closed from Friday, 19 May 2017 to Thursday, 25 May 2017, both days inclusive, during which period no transfer of shares will be effected. In order to determine who are eligible to attend and vote at the annual general meeting of the Company to be held on Thursday, 25 May 2017, the shareholders' of the Company should ensure that all transfers, accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 19 May 2017.

(b) Payment of the proposed final dividend

The register of members of the Company will be closed from Thursday, 1 June 2017 to Monday, 5 June 2017, both days inclusive, during which period no transfer of shares will be effected. In order to be qualified for the proposed final dividend, all transfers, accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 31 May 2017.

FINAL DIVIDEND

The Board is pleased to recommend the payment of a final dividend of HK2.000 cents (2015: HK5.055 cents) per share, totalling HKD17,000,000 (approximated to RMB15,082,000) which is expected to be paid on Monday, 19 June 2017 to its shareholders whose names appear on the register of members at the close of business on Monday, 5 June 2017 subject to the final approval in the annual general meeting to be held on Thursday, 25 May 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company had complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")as at 31 December 2016, except for the following deviations:

– Pursuant to Code Provisions A.1.3, notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice should be given. Although the official regular board meeting notices are sent to Directors shorter than the specific period (i.e. 14 days' notice), the Board has consistently agreed that those regular board meetings should be held regularly and short notice is acceptable. The Board believes that there has been sufficient time for Directors to study the materials.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code for the year ended 31 December 2016.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities for the year ended 31 December 2016.

CHANGES IN INFORMATION OF DIRECTORS

The change of Director's information as required to be disclosed pursuant to Rule 13.51B of the Listing Rules are set out below:-

1. Mr. Tang Shun Lam, previously a non-executive Director, has been re-designated as an executive Director with effect from 19 March 2016.

2. Mr. Lam Yiu Kin has been appointed as an independent non-executive director of (i) Nine Dragons Paper (Holdings) Limited (stock code: 2689) with effect from 3 March 2016; and (ii) WWPKG Holdings Company Limited (stock code: 8069) with effect from 16 December 2016.

AUDIT COMMITTEE

The Company has an Audit Committee, which was established in accordance with Rule 3.21 of the Listing Rules with primary duties of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee of the Company comprises three independent non-executive Directors, namely Mr. Lam Yiu Kin (Chairman), Mr. Tsang Yat Kiang and Mr. Hon Kwok Ping, Lawrence.

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2016 including the accounting principles and practices adopted by the Group.

PUBLICATION OF FINANCIAL INFORMATION

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.vital-mobile.com). The Company's annual report for 2016 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the above websites in due course.

By order of the Board
Vital Mobile Holdings Limited
Rong Xiuli
Chairperson

Hong Kong, 29 March 2017

As at the date of this announcement, the Board of the Company comprises Ms. Rong Xiuli, Mr. Rong Shengli and Mr. Tang Shun Lam as executive Directors; and Mr. Hon Kwok Ping Lawrence, Mr. Lam Yiu Kin and Mr. Tsang Yat Kiang as independent non-executive Directors.