# 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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

**FINANCIAL HIGHLIGHT**

- Revenue increased from RMB27.5 million for the first half of 2017 to RMB415.8 million for the first half of 2018, representing an increase of 1,412% or RMB388.3 million.

- Net profit of the Company attributable to shareholders amounted to RMB9.8 million for the first half of 2018 as compared to a net loss of RMB42.1 million for the first half of 2017, representing an increase in profit of 123.3% or RMB51.9 million.

- Basic earnings per share for the six months ended 30 June 2018 was approximately RMB1 cent (basic losses per share for the corresponding period in 2017: approximately RMB5 cents).

The board (the "Board") of directors (the "Directors" and each a "Director") of Vital Mobile Holdings Limited (the "Company") hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 June 2018 together with the comparative figures for the corresponding period in 2017.

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

*For the six months ended 30 June 2018*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2018** | 2017 |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| Revenue | 4 | **415,839** | 27,480 |
| Cost of sales | | **(408,775)** | (41,871) |
| Gross profit (loss) | | **7,064** | (14,391) |
| Other gains and losses | 5 | **8,017** | (17,738) |
| Other income | 6 | **7,960** | 4,035 |
| Research and development costs | | **(115)** | (1,153) |
| Selling and distribution expenses | | **(3,521)** | (2,023) |
| Administrative expenses | | **(9,320)** | (8,869) |
| Interest expenses | | **(319)** | – |
| Profit (loss) before tax | 7 | **9,766** | (40,139) |
| Income tax expense | 8 | **–** | (1,982) |
| Profit (loss) and total comprehensive income (expense) for the period attributable to equity holders of the Company | | **9,766** | (42,121) |
| Basic earnings (losses) per share (RMB per share) | 9 | **0.01** | (0.05) |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2018*

| | Notes | **As at 30 June 2018** *RMB'000* **(Unaudited)** | As at 31 December 2017 *RMB'000* (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Equipment | | **163** | 197 |
| | | **163** | 197 |
| **Current assets** | | | |
| Inventories | 11 | **54,704** | 41,128 |
| Trade and other receivables | 12 | **64,371** | 74,499 |
| Pledged bank deposits | | **82,234** | 88,230 |
| Bank deposits | | **681,700** | 670,000 |
| Cash and bank balances | | **27,397** | 42,492 |
| | | **910,406** | 916,349 |
| **Current liabilities** | | | |
| Trade and bills payables | 14 | **88,463** | 92,175 |
| Bank loans | 15 | **19,752** | 19,024 |
| Accrual and other payables | | **20,499** | 23,614 |
| Deposits received from customers | | **–** | 48,650 |
| Contract liabilities | | **38,706** | – |
| Tax liabilities | | **3,531** | 3,531 |
| | | **170,951** | 186,994 |
| Net current assets | | **739,455** | 729,355 |
| Total assets less current liabilities | | **739,618** | 729,552 |
| **Net assets** | | **739,618** | 729,552 |
| **Capital and reserves** | | | |
| Share capital | | **67,041** | 67,041 |
| Share premium and reserves | | **672,577** | 662,511 |
| **Equity attributable to equity holders of the Company** | | **739,618** | 729,552 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2018*

## 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 Island (the "BVI") 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 (the "PRC"). The Company is an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in mobile telecommunication devices export operations in the PRC.

The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company. The condensed consolidated financial statements have been approved for issue by the Board on 28 August 2018. The condensed consolidated financial statements have not been audited or reviewed by the external auditor.

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34("IAS 34") "Interim Financial Reporting" issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

## 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of new International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

*Application of new and amendments to IFRSs*

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| IFRS 9 | Financial Instruments |
| IFRS 15 | Revenue from Contracts with Customers and the related Amendments |
| IAS (IFRIC)-Int 22 | Foreign Currency Transactions and Advance Consideration |
| Amendments to IFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Amendments to IFRS 4 | Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts |
| Amendments to HKAS 28 | As part of the Annual Improvements to IFRSs 2014-2016 Cycle |
| Amendments to HKAS 40 | Transfers of Investment Property |

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

***3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers***

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources: selling mobile telecommunication with added supply chain management services (ROM modification, other related mobile telecommunication functions development), sale of mobile telecommunication related components and accessories, targeting global markets excluding the PRC.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for discounts and sales related taxes.

Revenue is recognized when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below:

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and IAS 11 Construction Contracts and the related interpretations.

*3.1.1 Key changes in accounting policies resulting from application of IFRS 15*

IFRS 15 introduces a 5-step approach when recognising revenue:

- 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 Group satisfies a performance obligation.

Under IFRS 15, the Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

*3.1.2 Summary of effects arising from initial application of IFRS 15*

The impact of transition to IFRS 15 on retained profits at 1 January 2018 and the impact of applying IFRS 15 on the Group's condensed consolidated statement of profit or loss and other comprehensive income for the current interim period is immaterial.

The following adjustments were made to the amounts recognized in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

| | **Carrying Amounts Previously reported at 31 December 2017** | **Reclassification** | **Carrying amounts under IFRS 15 at 1 January 2018** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Current liabilities** | | | |
| Contract liability | – | 48,650 | 48,650 |
| Deposits received from customers | 48,650 | (48,650) | – |

At the date of initial application, included in deposits received from customers, RMB48,650,000 were reclassified to contract liabilities upon application of IFRS 15.

The following tables summarise the impacts of applying IFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

| | **Note as reported** | **Reclassification** | **Amounts without application of IFRS 15** |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| **Current liabilities** | | | |
| Contract liability | 38,706 | (38,706) | – |
| Deposits received from customers | – | 38,706 | 38,706 |

***3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments***

In the current period, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognized as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognized as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognized in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

*3.2.1 Key changes in accounting policies resulting from application of IFRS 9*

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognized financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Impairment under ECL model

The Group recognizes a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade receivables and other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

*Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

The Group considers that default has occurred when the instrument is past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

*Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and other receivables the corresponding adjustment is recognized through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. The results of the assessment and the impact thereof are detailed in Note 3.2.2.

Classification and measurement of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

*3.2.2 Summary of effects arising from initial application of IFRS 9*

There was no impact of transition of IFRS 9 on reclassification of the condensed consolidated statement of financial position at 1 January 2018.

Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the credit-quality level of the counterparties. The credit risk on the trade receivables had not increased significantly since the initial recognition.

Loss allowances for other financial asset at amortised cost mainly comprise of pledged bank deposits, cash and bank balances, bank deposits and other receivables, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the Group's average loss rate when considering the impairment of financial assets is insignificant, and no additional credit loss allowance was recognised.

## 4. REVENUE AND SEGMENT INFORMATION

### Revenue

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 in the PRC and Hong Kong which is considered as a separate operating segment by the management of the Company, engaging 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, targeting global markets excluding the PRC. For segment reporting, the individual operating segments have been aggregated into a single reportable segment. 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 six months ended 30 June 2018 and 2017.

| | **Six months ended 30 June** | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Mobile telecommunication devices | **415,839** | 27,356 |
| Mobile device components | **–** | 124 |
| | **415,839** | 27,480 |

## 5. OTHER GAINS AND LOSSES

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Foreign exchange gain(loss), net | **441** | (15,906) |
| Reversal of impairment (impairment loss) recognised on trade receivables | **5,609** | (2,383) |
| Others | **1,967** | 551 |
| | **8,017** | (17,738) |

## 6. OTHER INCOME

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Interest income on pledged bank deposits | **676** | 3,133 |
| Interest income on bank deposits | **7,145** | 551 |
| Interest income on bank balances | **47** | 9 |
| Others | **92** | 342 |
| | **7,960** | 4,035 |

## 7. PROFIT(LOSS) BEFORE TAX

Profit(loss) before tax has been arrived at after charging:

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Depreciation of equipment | **39** | 20 |
| Amortisation of intangible assets (included in cost of sales) | **–** | 2,283 |
| Directors' emoluments | **2,333** | 2,777 |
| Other staff cost | | |
| – salaries and other allowance | **3,836** | 3,396 |
| – retirement benefit schemes contribution | **483** | 304 |
| – recognition of equity-settled share-based payment | **60** | 645 |
| Total staff costs | **6,712** | 7,122 |
| Cost of inventories recognised as an expense | **408,775** | 41,871 |
| (Reversal of ) write down of inventories (included in cost of sales) | **(2,215)** | 12,175 |
| Operating lease rentals | **1,308** | 892 |

## 8. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Deferred Tax | **–** | 1,982 |
| | **–** | 1,982 |

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 is recognised as "New and High Technology Enterprises" in 2015 and therefore it is entitled to apply a preferential tax rate of 15% for the six months ended 30 June 2018 and 2017.

No provision for Hong Kong Profits Tax and Enterprise Income Tax was made as the Group did not have assessable profits during the six months ended 30 June 2018.

## 9. EARNINGS (LOSSES) PER SHARE

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

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Earnings (losses) for the purposes of basic earnings (losses) per share, representing profit (loss) for the period attributable to equity holders of the Company | **9,766** | (42,121) |

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***'000*** | *'000* |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **850,000** | 850,000 |

There are no dilutive potential shares for both periods.

## 10. DIVIDENDS

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Unaudited)* |
| Dividends recognised as distribution during the period | **–** | 14,754 |

During the previous interim period, a final dividend of HK2 cents per share in respect of the year ended 31 December 2016 was declared to those shareholders whose names appear on the register of members of the Company at the close of business on Monday, 5 June 2017. The aggregate amount of the final dividend declared in the previous interim period amounted to HKD17,000,000 which approximated to RMB14,754,000. The final dividends of the year ended 31 December 2016 were paid in July 2017.

The Board has resolved not to declare any dividend for the interim period for the six months ended 30 June 2018 (30 June 2017: Nil).

## 11. INVENTORIES

| | **As at 30 June** | **As at 31 December** |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Audited)* |
| Finished goods | **54,704** | 41,128 |
| | **54,704** | 41,128 |

## 12. TRADE AND OTHER RECEIVABLES

| | **As at 30 June** | **As at 31 December** |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Audited)* |
| Trade receivables | **5,680** | 20,351 |
| Less: allowance for doubtful debts | **(2,386)** | (20,351) |
| | **3,294** | – |
| Other receivables | | |
| – Interest receivables | **3,433** | 8,699 |
| – Others | **392** | 387 |
| – Advance to a major customer | **–** | 14,261 |
| Prepayments to suppliers | **57,252** | 51,152 |
| | **64,371** | 74,499 |

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.

| | As at 30 June 2018 *RMB'000* *(Unaudited)* | As at 31 December 2017 *RMB'000* *(Audited)* |
|---|---|---|
| Within 60 days | **3,294** | – |
| | **3,294** | – |

**13. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL**

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the condensed consolidated statement of financial position as of 30 June 2018 (including trade receivables, other receivables, bank deposits, pledged bank deposits and bank balances and cash).

The directors of the Company consider (i) trade receivables from customers and other receivables having a low default risk and a strong capacity to meet contractual cash flows as performing; (ii) bank deposits and pledged bank deposits with a high credit rating and secured by high-credit-quality commercial banks during the reporting period and (iii) bank balances and cash that are deposited with high-credit-quality banks or financial institutions to be low credit risk financial assets. The management of the Group considers these assets are short-term in nature and does not expect any losses from non-performance by these counterparties, and accordingly, no loss allowance was recognized during the reporting period.

There has been no change in the estimation techniques or significant assumptions made throughout the reporting period.

**14. TRADE AND BILLS PAYABLES**

| | As at 30 June 2018 *RMB'000* *(Unaudited)* | As at 31 December 2017 *RMB'000* *(Audited)* |
|---|---|---|
| Trade payables | **18,463** | 15,477 |
| Bills payables | **70,000** | 76,698 |
| | **88,463** | 92,175 |

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

| | **As at 30 June 2018** *RMB'000* *(Unaudited)* | **As at 31 December** 2017 *RMB'000* *(Audited)* |
|---|---|---|
| Within 90 days | **3,800** | – |
| Over 1 year | **14,663** | 15,477 |
| | **18,463** | 15,477 |

The following is an aged analysis of bills payables based on the date of issue at the end of the reporting period:

| | **As at 30 June 2018** *RMB'000* *(Unaudited)* | **As at 31 December** 2017 *RMB'000* *(Audited)* |
|---|---|---|
| Within 90 days | **70,000** | – |
| 91 to 180 days | **–** | 3,271 |
| 181 days to 1 year | **–** | 73,427 |
| | **70,000** | 76,698 |

## 15. BANK LOANS

During the current interim period, the Group renewed bank loans with amount equivalent to RMB19,752,000(31 December 2017: RMB19,024,000). The loans carry interest at variable market rates charged at the United States Prime Rate, which were jointly secured by the properties owned by two individuals connected to the Company.

## 16. EVENT AFTER THE END OF THE REPORTING PERIOD

Subsequent to 30 June 2018, there are no significant events occurred.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Company is one of the leading smartphone and mobile phone related products suppliers. The Group is primarily engaged in the ODM of mobile phone business which encompassed research and development, design, engineering, material sourcing, supply chain management, logistic, provision of manufacture and sales of mobile phones, smartphones and the related accessories for the markets outside of China. The Group has its focus on the mid to high-end products primarily selling to the markets outside of China, as the Company's controlling shareholders have undertaken not to compete, directly or indirectly, with the Group's overseas business since the listing of the shares of the Company on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Over the years, the Group has developed a large number of stakeholders from the supply side as well as customers in both the emerging markets and some key America and European countries. The Group is able to work with many of its customers to satisfy their specific needs, both technical and marketing, so that they can sell into their local markets. These include a large network of local wholesalers, retailers and trading partners with whom the Group provides the smartphones to meet their market needs.

The smartphone market has shown slight improvement from 2017's down trend. Even though the market has recorded a 3% and 1.8% year on year decrease in the first and second quarter of 2018, respectively. (Sources: Counterpoint and IDC)

The key issue of the slow-down in smartphone demand is due to a slow-down in some of the key markets where replacement cycles are lengthening with overall smartphone features and design reaching its peak. Nevertheless, the Group is of the view that the emerging markets still offer a sizeable opportunity for smartphone business to expand and grow as smartphone penetration by users is still only around 45%. The average selling price of smartphones is increasing too in emerging markets where users are upgrading from entry level to the mid smartphone segment. Another trend continued from 2017 is that the market structure has been dominated by the top 10 smartphone brands with a 76% world market share (Source: Counterpoint).

Since 2018, the Group has attempted an alternative market strategy to focus expansion in parts of Europe, Russia and the APAC region to capture the growing demand in financial year 2018. The Group has been focusing on the Brand+ strategy since 2017. The Brand+ strategy focuses in working with best smartphone brands and the Group has been successful in developing business with some of the Chinese leading brands.

The Group believes that with the saturation of the China smartphone market (Source: IDC), it will force the Chinese smartphone players to invest and expand beyond their home market. It creates an opportunity for the Group to provide value added services for its customers. The efforts have been realized as the performance of Chinese brands in Middle East and Africa, Europe and the rest of the Asian markets have been improving.

The ideal smartphone market for Chinese brands are the emerging smartphone markets, such as East Asia and Middle East & Africa, where LTE is being launched for the first time or the network is expanding to more covered geographies. The North America market has been problematic for Chinese brands and the ban on certain brands will further reduce their share in that region.

The Group's warehouse facility in Hong Kong has been functioning well. Apart from the basic logistic functions, the Group has managed to use it as a support operation which it can upgrade mobile telecommunication devices' hardware and software and provides packaging services and this has provided better turnaround time for smartphone business. The Shenzhen operation that the Group has set up in the third quarter of 2017 is working smoothly. Whilst its primary function is to improve the sales and marketing effort, it has also established supply chain providers to support customers for export markets, including mobile telecommunication devices' hardware and software upgrade, sourcing, logistic, tax support functions. The Group has been using this facility to set up third party capabilities to supplement its technical capabilities in Shenzhen and other strategic locations including those in Europe.

The Group has successfully increased the sales of smartphones through the network of resellers and wholesalers. The Group's total sales increased from RMB27.5 million for the six months ended 30 June 2017 to RMB415.8 million for the six months ended 30 June 2018. Gross margin has improved to RMB7.1 million from negative RMB14.4 million for the six months ended 30 June 2018.

The Group has recorded a net profit of approximately RMB9.8 million for the six months ended 30 June 2018 as compared to a net loss of RMB42.1 million for the six months ended 30 June 2017 and an increase in the Group's revenue from RMB27.5 million for the six months ended 30 June 2017 to approximately RMB415.8 million for the corresponding period in 2018 together with an improvement from a negative gross margin of RMB14.4 million to a positive gross margin of approximately RMB7.1 million.

The improvement in the Group's results for the six months ended 30 June 2018 was attributable to: (i) the improvement in sales for branded smartphone for the six months ended 30 June 2018; and (ii) a combined effect contributed by (a) an one-off reversal of bad debts provision in the amount of approximately RMB5.6 million for the six months ended 30 June 2018; (b) an increase in interest income of pledged bank deposits and bank deposits of the Group from RMB3.7 million for the six months ended 30 June 2017 to approximately RMB7.8 million for the corresponding period in 2018 primarily due to better interest rate being offered; and (c) a turnaround to an exchange gain for the six months ended 30 June 2018 as compared to an exchange loss for the correspondingly period in 2017.

**Distribution Channels**

The Group has established sales channels in the Southeast Asia, Africa, and markets such as Bangladesh. The Group has been working on expanding the distribution network in Europe. In June 2018, the Group commenced the setting up of a subsidiary in Slovenia, where the Group expected to sign a distribution agreement with one of the leading brands in July 2018. This allows the Group to sell into and provide value added services to the European Union and nearby European countries. To enable improved services and sales effort, the Group plans to setup a distribution logistic center with a third party logistics partner in Italy in the second half of 2018.

The Group is also negotiating with a leading smartphone brand which will allow the Group to market its brand globally. The Company anticipates a distribution agreement may materialise and be entered into in the fourth quarter of 2018.

**Outlook**

The smartphone has become one of the indispensable devices. In recent years, the Group has seen cities that public phone booths are diminishing, and offices and homes that no longer have landlines. With the new 5G technology, the Group will see a three years fast growth for smartphones, and smart gadgets are springing up to complement smartphones. From our sources/market information (Sources: IDC, Counterpoint), it is forecasted that the market will experience a 3% compound annual growth rate from 2018 to 2023; the Group believes that the smartphone market will track back to grow healthily. The Group believes the setting up of the distribution network will help to expand the Brand+ business and in turn the Group can use this customer base and the new 5G opportunities to penetrate the ODM business. The Company believes that it has to be prepared and therefore it has invested time and resources trying to catch up with the growth trend. The Group anticipates that the market will be dominated by relative few players and its decision in moving into different segment of business will prove to be successful. The Company will continue to engage with its existing and past customers in developing its new business endeavors. With the development of distribution network, the Group foresees that the volume of its trading business will be increasing gradually.

On one hand, the Group has continuously enhanced its technical capabilities, increased its capital expenditure spending and to upgrade its support capabilities in mobile telecommunication devices' software and hardware upgrade, product packaging and supply chain services. The Company has also embarked on designing niche smartphones focusing in different market niches so as not to sell with pricing strategy alone. This includes high security smartphones and Internet of Things ("IoT") wearable integrated smartphones. The Group has also started to explore the IoT market both complete products and subsystem products covering, smart-anywhere/smart-everything products, and the wireless and smart devices including drones and wireless smart home networks and its components and accessories. The Company believes the smartphone market has entered into an era that it becomes a necessity but not a commodity. A lot of new innovation will come, such as the 5G technology is just round the corner, the interactive and self-drive automotive, smart home/appliance.

## FINANCIAL REVIEW

### Revenue

The Group's revenue increased by RMB388.3 million or 14.1 times to RMB415.8 million for the six months ended 30 June 2018 from RMB27.5 million for the six months ended 30 June 2017.

The following table sets forth the breakdown of the Group's revenue by product type:

| | For the period ended 30 June | | | |
|---|---|---|---|---|
| | **2018** | | 2017 | |
| | ***(unaudited)*** | | (unaudited) | |
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| Mobile telecommunication devices | **415,839** | **100.0** | 27,356 | 99.5 |
| Mobile device components | **–** | **–** | 124 | 0.5 |
| | **415,839** | **100.0** | 27,480 | 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 mobile telecommunication devices increased from RMB27.4 million for the six months ended 30 June 2017 to RMB415.8 million for the six months ended 30 June 2018, representing an increase of 14.2 times.

The Group's revenue for the first six months of 2018 has increased significantly. The reasons attributed to this increase of sales are as follows:

1. The rise of new Chinese Brands – As the market structure has been dominated by the top 10 smartphone brands, with a 76% world market share (Source: Counterpoint), we are working on a new ODM and Supply Chain business model that in combination, we can deliver products to our new customers group, which competes effectively in some of emerging market.

2. Utilization of our network – we could make use of our network and focus on the Brand+ strategy with some of the Chinese leading brands in the emerging market with profits.

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

| | **For the six months ended 30 June** | | | |
|---|---|---|---|---|
| | **2018** | | 2017 | |
| | **(unaudited)** | | (unaudited) | |
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| Hong Kong | **415,390** | **99.9** | 23,603 | 85.9 |
| Other parts of Asia | **449** | **0.1** | 2,521 | 9.2 |
| Europe | **–** | **–** | 1,298 | 4.6 |
| Africa | **–** | **–** | 43 | 0.2 |
| South Asia | **–** | **–** | 15 | 0.1 |
| | **415,839** | **100.0** | 27,480 | 100.0 |

*Notes:*

1. Sales to Hong Kong mainly comprised of sales to certain mobile trading companies incorporated in Hong Kong who sell smartphones to various countries including but not limited to South Asia excludes India, Russia and Middle-East.

2. Other parts of Asia include Taiwan and Pakistan.

3. Europe includes France, Portugal, Cyprus and Czech.

4. Africa includes South Africa and Algeria.

5. South Asia includes India.

The Group's revenue generated from sales in Hong Kong increase from RMB23.6 million for the six months ended 30 June 2017 to RMB415.4 million for the six months ended 30 June 2018, representing 16.6 times increase. It was mainly due to change of the Brand+ strategy in working with best smartphones brand especially the Chinese leading brands.

**Gross profit and gross profit margin**

| | For the six months ended 30 June | | | |
|---|---|---|---|---|
| | **2018** | | 2017 | |
| | ***Gross profit (unaudited)*** | ***Gross profit margin*** | *Gross profit (unaudited)* | *Gross profit margin* |
| | ***RMB'000*** | ***%*** | *RMB'000* | *%* |
| Mobile telecommunication devices | **7,064** | **1.7** | (14,380) | (52.6) |
| Mobile device components | **–** | **–** | (11) | (9.1) |
| | **7,064** | **1.7** | (14,391) | (52.4) |

Gross profit amounted to RMB7.1 million for the six months ended 30 June 2018, increased by RMB21.5 million from negative RMB14.4 million for the six months ended 30 June 2017. The increase in gross profit ratio of mobile telecommunication devices was mainly attribute to the selling of Chinese leading brands with profit and sales volume and RMB12.2 million inventory write-down and RMB2.3 million intellectual property amortization in 2017 were not incurred in 2018.

**Other income**

Other income mainly represented an interest income of the pledged bank deposits and bank deposits amounting to RMB8 million for the six months ended 30 June 2018 and RMB4 million for the six months ended 30 June 2017. The increase was mainly due to higher interest rate for the bank deposit in 2018.

**Continuing Connected Transactions**

Pursuant to an equipment lease agreement made between Beijing Benywave Technology. Co., Ltd. ("Benywave Technology") and Beijing Benywave Wireless Communications Co., Ltd. ("Benywave Wireless"), Benywave Technology has let certain equipment and facilities to Benywave Wireless for handset testing purpose. For the six months ended 30 June 2018, the equipment rental expenses incurred by Benywave Wireless amounted to RMB33,000.

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, China to Benywave Wireless for carrying on its business. For the six months ended 30 June 2018, the rental expenses incurred by Benywave Wireless amounted to RMB369,000.

**Taxation**

No provision for Hong Kong Profits Tax and Enterprise Income Tax was made as the Group did not have assessable profits during the six months ended 30 June 2018.

**Material acquisitions and disposals**

For the six months ended 30 June 2018, the Group had no material acquisitions or disposals.

**Liquidity and source of funding**

The Group's total cash and bank balances decreased by RMB15.1 million from RMB42.5 million as at 31 December 2017 to RMB27.4 million as at 30 June 2018.

As at 30 June 2018, 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 5.3 as compared with 4.9 at 31 December 2017.

**Inventories**

The Group's total inventories increased by RMB13.6 million from RMB41.1 million (net of allowance RMB31.0 million) as at 31 December 2017 to RMB54.7 million as at 30 June 2018 (net of allowance RMB28.8 million). In determining the write down of inventories, the management considered the subsequent selling price and aging of inventories.

**Trade and other receivables**

Trade and other receivables mainly include the trade receivables, other receivables and prepayments to suppliers. As at 30 June 2018, the carrying amount of trade and other receivables were approximately RMB64.4 million, which was net of allowance of trade receivables, representing a decrease of approximately RMBl0.1 million as compared to the corresponding period in 2017.

In assessing the recoverability of trade receivables and determining the allowance for doubtful debts, the management adopted the expected credit losses model subject to impairment under IFRS9, including considering the 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 was approximately RMB2.4 million as at 30 June 2018.

### Contingent Liabilities and Commitments

As at 30 June 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases which amounted to RMB4.9 million. The operating lease payments commitments represent rental payable by the Group for offices, warehouses and equipment rental. The lease was negotiated for lease terms of one to three years. Monthly rental was fixed for certain lease.

### 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.

## USE OF PROCEEDS

The shares of the Company were successfully listed on the main board of the Stock Exchange on 26 June 2015 (the "Listing"). The net proceeds received from the initial public offering ("Listing"), after deducting underwriting fees and other expenses in relation to the Listing, were approximately HKD484 million (equivalent to approximately RMB406 million). Such net proceeds were deposited, with any unutilized amount remained to be deposited, at the Group's bank accounts. As at 30 June 2018, the net proceeds were utilized as follows:

| Use: | % of the total amount of the proceeds | Approximate amounts of the net proceeds *in HKD million (RMB equivalent)* | Approximate amounts utilized *in HKD million (RMB equivalent)* | Approximate amounts unutilized *in HKD million (RMB equivalent)* |
|---|---|---|---|---|
| Purchasing raw materials to expand our raw material sourcing capacity | 45.5 | 220 (185) | 220 (185) | Nil |
| Setting up overseas representative offices and/or establishing partnership with top local branded mobile handset suppliers or telecommunication operators in our key markets | 27 | 131 (110) | 2.52 (2.12) | 128.48 (107.88) |
| Expanding our research and development capabilities | 12.5 | 61 (51) | 61 (51) | Nil |
| Setting up a new quality testing laboratory, employing additional quality testing personnel and purchasing additional quality testing equipment | 5 | 24 (20) | 0 (0) | 24 (20) |
| General working capital | 10 | 48 (40) | 48 (40) | Nil |
| Total | 100 | 484 (406) | 331.52 (278.12) | 152.48 (127.88) |

## HUMAN RESOURCES

As at 30 June 2018, the Group employed approximately 36 employees (30 June 2017: 29 employees) in Hong Kong and mainland China. The Group remunerated the employees based on their performance, experience and prevailing market practices.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board acknowledges the importance of a high standards of corporate governance as the Board believes that effective corporate governance practices are fundamental to enhance the shareholders' value and safeguard the interests of the shareholders. Accordingly, the Company has adopted sound corporate governance principles that emphasis an effective internal control and accountability to all shareholders.

The Board is responsible for performing the corporate governance functions in accordance with the applicable code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Board is committed to complying with the code provisions as stated in the CG Code to the extent that the Directors consider it is applicable and practical to the Company.

As at 30 June 2018, the Company has complied with all the code provisions in the CG Code.

## 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 throughout the six months ended 30 June 2018.

## CHANGE OF DIRECTORS' INFORMATION

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

- Mr. Yin Xuquan has been appointed as a president and executive Director of the Company with effect from 1 February 2018.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

## SIGNIFICANT INVESTMENTS AND ACQUISITIONS

Reference is made to the announcement of the Company dated 15 June 2017 in relation to the major and connected transaction relating to the acquisition of 70% equity interest in a company principally engaged in the provision of supply chain services (the "Acquisition") and the announcement of the Company dated 29 March 2018 in relation to termination of the Acquisition.

As one or more of the conditions precedent to the Acquisition could not be fulfilled, on 29 March 2018, the parties agreed to terminate the equity transfer agreement to the Acquisition and entered into a termination agreement (the "Termination Agreement").

Pursuant to the Termination Agreement, the equity transfer agreement shall terminate and no party to the equity transfer agreement shall have any claim against the other, including without limitation any claim for liquidated damages pursuant to the equity transfer agreement.

The Board considered that the termination of the Acquisition does not have any material adverse impact on the business operation and financial position of the Group.

Save as disclosed in this announcement, the Group has no material acquisitions and disposals of subsidiaries, associates and joint ventures during the period under review.

## AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established in accordance with Rule 3.21 of the Listing Rules with its primary duties of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee 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 unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2018 together with the management of 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 interim report for the six months ended 30 June 2018 containing all 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, 28 August 2018

*As at the date of this announcement, the Board comprises Ms. Rong Xiuli, Mr. Rong Shengli, Mr. Yin Xuquan 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.*