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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 2017

FINANCIAL HIGHLIGHT

- Revenue decreased from RMB406.1 million for the year ended 31 December 2016 to RMB196.1 million for the year ended 31 December 2017, representing a decrease of 51.7% or RMB210.0 million.

- Net loss of the Company attributable to shareholders for the year ended 31 December 2017 amounted to RMB109.7 million compared to net profit of RMB15.5 million for the year ended 31 December 2016, representing a decrease of RMB125.2 million.

- Basic loss per share for the year ended 31 December 2017 was approximately RMB0.13 (the basic earnings per share for the year ended 31 December 2016 was RMB2 cents).

- The Board did not recommend the payment of a final dividend for the year ended 31 December 2017. (For the year ended 31 December 2016: HK2 cents)

The board (the "Board") of directors (the "Directors") 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 2017 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 2017

	Notes	**2017**	2016
		RMB'000	*RMB'000*
Revenue	3	**196,142**	406,134
Cost of sales		**(220,418)**	(386,291)
Gross (loss)profit		**(24,276)**	19,843
Other gains and losses	4	**(29,216)**	25,034
Other income	5	**14,082**	19,226
Research and development costs		**(264)**	(9,523)
Selling and distribution expenses		**(5,758)**	(10,736)
Administrative expenses		**(62,194)**	(24,603)
Interest expenses		**(103)**	(178)
(Loss)profit before tax	6	**(107,729)**	19,063
Income tax expense	7	**(1,977)**	(3,567)
(Loss)profit and total comprehensive (expense) income for the year attributable to equity holders of the Company		**(109,706)**	15,496
Basic (loss)earnings per share (RMB per share)	8	**(0.13)**	0.02

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	**2017**	2016
		RMB'000	*RMB'000*
Non-current assets			
Equipment		**197**	109
Intangible assets	10	**–**	44,895
Deferred tax assets	11	**–**	1,982
		197	46,986
Current assets			
Inventories		**41,128**	27,363
Trade and other receivables	12	**74,499**	376,213
Pledged bank deposits		**88,230**	475,710
Bank deposits		**670,000**	430,857
Cash and bank balances	13	**42,492**	16,257
		916,349	1,326,400
Current liabilities			
Trade and bills payables	14	**92,175**	439,208
Bank loans		**19,024**	–
Accrual and other payables	15	**23,614**	20,601
Deposits received from customers		**48,650**	16,133
Tax liabilities		**3,531**	13,389
Amount due to the controlling shareholder	16	**–**	30,521
Provision	17	**–**	2,464
		186,994	522,316
Net current assets		**729,355**	804,084
Total assets less current liabilities		**729,552**	851,070
Net assets		**729,552**	851,070
Capital and reserves			
Share capital	18	**67,041**	67,041
Share premium and reserves		**662,511**	784,029
Equity attributable to equity holders of the Company		**729,552**	851,070

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 BVI and is 90% and 10% owned by 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 devices 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")

Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board("IASB") for the first time in the current year:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRSs 2014-2016 Cycle

Except as described below, 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.

Amendments to IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in the note to the Group's consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised IFRSs in issue but not yet effective

The Group has not early 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]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
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 9	Prepayment Features with Negative Compensation[2]
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 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS 28	As part of the Annual Improvements to IFRS 2014-2016 Cycle[1]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle[2]

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 2021

Except for the new IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are:

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of IFRS 9:

Classification and measurement:

All financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under IAS 39.

Impairment:

In general, the directors of the Company anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of IFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 would not be significantly increased as compared to the accumulated amount recognised under IAS 39 mainly attributable to expected credit losses provision on trade receivables and other receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained profits at 1 January 2018.

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 April 2016, the IASB 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 of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows by the Group.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB3,381,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

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 in 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 of mobile telecommunication devices and sales of mobile telecommunication related components and accessories, and selling of 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 relevant periods:

	2017	2016
	RMB'000	*RMB'000*
Mobile telecommunication devices	**195,742**	392,017
Mobile telecommunication devices component packs	**–**	11,494
Mobile device components	**400**	2,623
	196,142	406,134

Geographical information

A substantial amount of revenue from external customers, based on their locations, is derived from the Group's country of domicile, the PRC. The following table sets forth a breakdown of the Group's revenue during the year based on locations of the external customers:

	2017	2016
	RMB'000	*RMB'000*
Hong Kong	**187,199**	244,807
Taiwan	**6,581**	2,369
Europe	**1,298**	10,087
Other parts of Asia	**737**	1,981
South Asia	**284**	125,506
Africa	**43**	8,476
South America	**–**	11,517
North America	**–**	1,358
Southeast Asia	**–**	33
	196,142	406,134

The group's operations and non-current assets are located in the PRC, including Hong Kong, the country of domicile.

4. OTHER GAINS AND LOSSES

	2017	2016
	RMB'000	*RMB'000*
Foreign exchange (loss)gain, net	**(21,168)**	36,787
Impairment loss recognised on trade receivables	**(7,826)**	(11,068)
Others	**(222)**	(685)
	(29,216)	25,034

5. OTHER INCOME

	2017	2016
	RMB'000	*RMB'000*
Interest income on pledged bank deposits	**3,874**	6,006
Interest income on bank deposits	**8,235**	4,369
Interest income on bank balances	**32**	858
Interest income on structured deposits	**–**	7,395
Services income	**1,941**	598
	14,082	19,226

6. (LOSS)PROFIT BEFORE TAX

(Loss)profit before tax has been arrived at after charging:

	2017	2016
	RMB'000	*RMB'000*
Auditor's remuneration	**4,660**	3,150
Depreciation of equipment	**47**	41
Impairment loss recognised in respect of intangible assets	**40,329**	–
Amortisation of intangible assets (included in cost of sales)	**4,566**	760
Directors' emoluments	**5,523**	9,053
Other staff cost		
– salaries and other allowance	**5,119**	10,479
– retirement benefit schemes contribution	**662**	1,715
– recognition of equity-settled share-based payment	**776**	8,644
Total staff costs	**12,080**	29,891
Cost of inventories recognised as an expense	**220,418**	386,291
Write down of inventories (included in cost of sales)	**21,728**	14,341
Reversal of provision (included in cost of sales)	**(2,464)**	(7,879)
Impairment loss recognised on trade receivables	**7,826**	11,068
Operating lease rentals	**1,806**	1,940

7. INCOME TAX EXPENSE

	2017	2016
	RMB'000	*RMB'000*
PRC Enterprise income tax ("EIT")		
– Current Tax in PRC	**–**	–
– Current Tax in HK	**–**	3,851
– Over provision in prior year-EIT	**(5)**	(2,611)
Deferred Tax *(Note 11)*	**1,982**	2,327
	1,977	3,567

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"), a subsidiary of the Company, is 25%. Since Benywave Wireless was recognised as "New and High Technology Enterprises" in 2015 and therefore it is entitled to apply a preferential tax rate of 15% for the years ended 31 December 2017 and 2016.

Taxation arising in other jurisdiction is calculated at the rate prevailing in the relevant jurisdiction.

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

	2017	2016
	RMB'000	*RMB'000*
(Loss)profit before tax	**(107,729)**	19,063
Tax calculated at applicable domestic tax rates (2017: 15%, 2016: 15%)	**(16,159)**	2,859
Tax effect of expenses not deductible for tax purposes	**3,443**	8
Tax effect of income not taxable for tax purpose	**–**	(2,403)
Effect of tax incentive granted	**(69)**	(626)
Effect of different tax rates of the entities operating in other jurisdictions	**(247)**	350
Tax effect of tax losses and deductible temporary differences not recognised	**15,014**	5,990
Over provision in prior year	**(5)**	(2,611)
Income tax expense	**1,977**	3,567

8. (LOSS)EARNINGS PER SHARE

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

	2017	2016
	RMB'000	*RMB'000*
(Loss)earnings for the purposes of basic (loss)earnings per share, representing (loss) profit for the year attributable to equity holders of the Company	**(109,706)**	15,496

	2017	2016
	'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 years.

9. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year	**14,802**	36,729

During the current year, a final dividend of HK2 cents per share in respect of the year ended 31 December 2016 (2016: HK5.055 cents per share in respect of the year ended 31 December 2015) 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 year amounted to HKD17,000,000 which approximated to RMB14,802,000 (2016: RMB36,729,000). The final dividends of the year ended 31 December 2016 were paid in July 2017.

The board of directors did not recommend the payment of dividend for the year ended 31 December 2017.

10. INTANGIBLE ASSETS

	Software technology
	RMB'000
Cost	
As at 31 December 2016 and 31 December 2017	45,655
Amortisation and impairment	
As at 1 January 2016	–
Charge for the year	760
As at 31 December 2016	760
Charge for the year	4,566
Impairment loss recognised in the year	40,329
As at 31 December 2017	45,655
Carrying amounts	
At 31 December 2016	44,895
At 31 December 2017	–

The software technology is amortised over its useful life of 10 years.

Due to the free downloads of official upgrade software from the first-tier smartphone brands and some of the first-tier brands starting to introduce encryption codes to prevent changes to the software codes, the use of the software technology in these target smartphone brands was negatively affected. The directors consider the carrying amount of the software technology may not be recovered and full impairment was provided during the year ended 31 December 2017.

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 2016	557	219	3,533	4,309
Charge to profit or loss	(557)	(219)	(1,551)	(2,327)
At 31 December 2016	–	–	1,982	1,982
Charge to profit or loss	–	–	(1,982)	(1,982)
At 31 December 2017	–	–	–	–

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

	2017 ***RMB'000***	2016 *RMB'000*
Tax losses	**25,937**	3,044
Deductible temporary differences	**106,529**	29,330
	132,466	32,374

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 or taxable temporary differences will be available against which the tax losses and the deductible temporary differences can be utilised.

The unrecognised tax losses will be expired as follows:

	2017 ***RMB'000***	2016 *RMB'000*
2021	**3,044**	3,044
2022	**18,856**	–
2032	**1,275**	–
	23,175	3,044

At the end of the reporting period, the Company has unused tax losses of RMB2,762,000 (31 December 2016: Nil) arose in Hong Kong available for offset against future profits that may be carried forward indefinitely.

12. TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**20,351**	118,141
Less: allowance for doubtful debts	**20,351**	12,525
	–	105,616
Other receivables		
– Advance to a customer (i)	**14,261**	28,442
– Interests receivables	**8,699**	7,824
– Value added tax receivables	**–**	645
– Advance to a major supplier	**–**	107,000
– Others	**387**	309
Prepayments to suppliers (ii)	**51,152**	126,377
	74,499	376,213

Notes:

(i) The amount is non-trading in nature, unsecured and non-interest bearing. The total amount has been repaid in 2018.

(ii) As at 31 December, 2017, included in the balance is prepayments of RMB5,228,000 to Henan Ketai Lexun Communication Equipment Industry Park Co. Ltd ("Ketai"), a fellow subsidiary of the company. The amount was repaid to the Group in January 2018.

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.

	2017	2016
	RMB'000	*RMB'000*
Within 60 days	**–**	6,601
61 to 180 days	**–**	17,992
181 days to 1 year	**–**	4,875
1 year to 2 years	**–**	76,148
	–	105,616

13. CASH AND BANK BALANCES

Included in cash and bank balances are the following amounts denominated in currencies other than the functional currency of the relevant group entities:

	2017	2016
	RMB'000	*RMB'000*
– USD	**37,343**	8,379
– HKD	**798**	3,782

Bank balances carried interest at market rates which range from nil to 0.30% per annum as at 31 December 2017 (2016: from nil to 0.35% per annum).

The bank balances denominated in RMB were deposited with banks in the PRC and the conversion of such balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

14. TRADE AND BILLS PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables *(Note)*	**15,477**	47,820
Bills payables	**76,698**	391,388
	92,175	439,208

Note: As at 31 December 2016, the balances included the payables of RMB5,268,000 to Vanchip (Tianjin) Electronic Technology Co. Ltd ("Vanchip"), which is controlled by Ms. Gao, Ms. Rong's daughter. According to the tripartite agreement signed among Benywave Wireless, Vanchip and Beijing Benywave Technology Co., Ltd. ("Benywave Technology"), a fellow subsidiary of the Company, the payable was settled by the borrowings between Vanchip and Benywave Technology. Afterwards, Benywave Wireless had repaid the debt to Benywave Technology in May 2017.

In June 2017, pursuant to a tripartite agreement signed among Benywave Wireless, Benywave Technology and one of Benywave Wireless's suppliers, the debt of Benywave Wireless to the supplier, amounted to RMB14,234,000, was settled by Benywave Technology's receivables from the supplier. Accordingly, the corresponding amount had been repaid to Benywave Technology.

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

	2017	2016
	RMB'000	*RMB'000*
Within 90 days	**–**	40
91 to 180 days	**–**	3,297
181 days to 1 year	**–**	13,187
Over 1 year	**15,477**	31,296
	15,477	47,820

Included in trade payables are the following carrying amounts denominated in a currency other than the functional currency of the relevant group entity.

	2017	2016
	RMB'000	*RMB'000*
USD	**2,765**	2,840

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

	2017	2016
	RMB'000	*RMB'000*
Within 90 days	**–**	43,333
91 to 180 days	**3,271**	83,055
181 days to 1 year	**73,427**	265,000
	76,698	391,388

15. ACCRUAL AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Royalties payable	**13,210**	13,210
Other PRC tax payables	**2,231**	–
Staff cost payable	**1,376**	1,143
Payable for insurance premium and freights	**942**	1,934
Interest payable	**103**	–
Others	**5,752**	4,314
	23,614	20,601

16. AMOUNT DUE TO THE CONTROLLING SHAREHOLDER

The amount represented the advance to the Group from the Company's controlling shareholder, Ms. Rong, which was unsecured, non-interest bearing and repaid in April 2017.

17. PROVISION

	Warranty provision
	RMB'000
At 1 January 2016	10,343
Reversal of provision	(7,879)
At 31 December 2016	2,464
Reversal of provision	(2,464)
At 31 December 2017	–

The warranty provision represents management's best estimate of the Group's liability under one-year warranty granted on mobile telecommunication devices, based on prior experience.

18. SHARE CAPITAL

	Number of shares	**per share**	**Share capital**
		HKD	*HKD*
At 31 December 2017 and 2016	850,000,000	0.1	85,000,000
			RMB'000
Presented as			67,041

Management's Discussion and Analysis

The Group is a supplier of the smartphone and mobile phone related products, 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 focuses on mid to low end products primarily selling to the markets outside of China, as the Company's controlling shareholders have undertaken not to compete, direct or indirectly, with the Group's overseas business since the listing of the shares of the Company on the Stock Exchange. Over the years, the Group has cultivated a large supplier and customer portfolio in both the emerging markets and some key US and European countries. The Group is able to work with many of its customers to provide specific needs, both technical and marketing so that they can sell into their local markets. The Group also works with a large network of local wholesalers, retailers and trading partners.

While smartphones are now firmly established as an integral part of everyone's daily lives, the mobile world would continue to change rapidly as new types of devices, services and technologies come and go. The Group has been able to provide different products and services for the smartphone market. Further, the Group has been looking into similar technology and markets for the expansion of its business including Internet of Things ("IoT"), wearables, software, supply chain and logistics management.

Business Review

By changing the Group's strategic direction, the Group managed to reverse a very low revenue trend in the first half of 2017 to RMB196.1 million for the year ended 31 December 2017. The Group recorded a net loss of RMB109.7 million for the year ended 31 December 2017. This net loss position was primarily attributable to (i) RMB40.3 million in relation to the impairment of certain IP rights; (ii) RMB21.2 million currency exchange loss; and (iii) RMB21.7 million inventory provision made for some of the old and obsolete inventory.

Impairment of software IP

The Group had a RMB40.3 million impairment loss in relation to the intellectual property rights acquired by the Group in 2016, which comprise 5 sets of software algorithms for smartphones. The decision for the impairment was arrived at by the management of the Company based on two market trends. Firstly, the Group discovered and then confirmed through its customers and supply base that there were free downloads of official upgrade softwares from the first-tier smartphone brands, whereas to the best of the knowledge of the Company most of the free softwares were from unofficial sources with advertisement and anti-virus built inside. Although the Group still uses its softwares in the ODM and other second-tier smartphone brands, the quantity will not be as significant as the bulk of this business will be with the first-tier smartphone brands. Secondly, the Group has found that some of the first-tier smartphone brands have started to introduce encryption codes to prevent changes to the software codes; this further affects the ability to use the Group's softwares in these target smartphone brands. By introducing official upgrades and enhancement, the first-tier smartphone brands can use this to help export their smartphones from the China market. The Group uses the IP to make custom software packages for its customers to fit their market needs, we charge for the software and the service of the upgrade. After the brands offer free software packages, it is the Group's view that our customers will still use our services, they will no longer pay for our custom software as they can get a similar package for free, thus our IP is impaired until the brands will start charging their software packages again or we can get substantially higher quantity in ODM and other ROM business. Under our current business plan, it is uncertain when this will happen. As such, the Group has made the decision to provide a provision of RMB 40.3 million for the full residual amount of the value of the IP.

Whilst the value of the Software Technology has diminished in light of the availability of the Free IP Rights for free on the market, the Software Technology can still be applied to other smaller smartphone brands other than the first-tier Smartphone Brands and the Software Technology can also still be applied to the Group's ODM and ROM projects that the Group can use its own intellectual properties with. Accordingly, the Company expects that the Software Technology (although impaired) will still have usable value to the Group in the upcoming few years.

Excluding the total non-cash loss for the year of approximately RMB83.2 million, the Group's operating loss for the year would be approximately RMB25.8 million. The Group has reduced its selling, general and administrative expenses costs through consolidation of certain sales and technical support functions to cope with the current business needs.

Market Review

Looking back to the beginning of 2017, the global economy showed a positive development momentum and the Group was hoping for a speedy recovery. The global smartphone shipment for the first half of 2017 saw a 3% year-on-year increase but due to a sudden slowdown in the last quarter of 2017, the full year growth was reported to be around -0.5%; units shipment was 1.46 Vs 1.47 billion units according to IDC research. This compared with 3% and 6% growth for 2016 and 2015 respectively, and signified that the double digits growth period of 2010 – 2014 had gone. Based on information provided by industry experts, they anticipate that the year of 2018 will be returning to a small single digit growth of 2.8%. However, there were still some uncertainties and risks. Global smartphone industry maintained its overall slow growth trend continued from last year.

For the year ended 31 December 2017, the Group shipped a total of over 200,000 units of smartphones although the smartphone market in China remains the largest market, the shipment volume for the Chinese market was 4% lower than that in the same period of last year due to the saturated demands, and competition became much fiercer. As only a handful of Chinese domestic smartphone manufacturers gained market shares successfully including traditional international brands with their technology advantages, channel advantages and effective marketing strategies, and continued to change the industry structure. In addition, Chinese smartphone brands rose quickly in emerging markets such as Southeast Asia, Russia, India and the Middle East. The Group has seen the domination of these brands being caused by drastic reduction in some of the lesser strong brands. It is suggested that the top 5 brands occupied 75% of the total market shipments. Under this situation, the entire ecosystem is under a drastic change. The trend started from 2016, the Group has seen multiple failures in large smartphone brands international as well as Chinese brands, also in the supply chain many of the component suppliers ran into trouble. The above-mentioned trend continues well into 2017. It is against this background that the Group is searching for a more prudent approach to the smartphone market.

For the year ended 31 December 2017, the Group has been taking a conservative approach in taking new sales booking. The Group turned down the orders that will have a negative gross margin that were demanded by most of the Group's active customers. This was due to the fact that the Group's major customers have lost their leading position in their local markets as they faced the onslaught of the Chinese brands and reported loss of market shares thus demanded their suppliers to provide competitive products with lower prices.

Since the listing of the shares on the Main Board of the Stock Exchange, the Group committed that the Group will focus on overseas market and not the China market. The Group has lost design and supply of smartphones opportunities of the Chinese brands because most of the hardware were designed for domestic and internal markets through the Independent Design Houses ("IDHs") and the ODM's. On the back of losing market shares because of its customer base, the Group has fine-tuned its strategy. Rather than trying to compete in an extreme competitive segment, the Group has increased its effort in working on providing the software upgrade to the leading smartphone brands for export purposes. The Group called it Brand + program (or ROM business) which started in early 2016. The Group has attempted to work with a number of partners to accelerate the growth of this business but the Group realised that it is easier to do this business by itself, as the Group has all the resources that need to make it a successful business. As the Group's existing business, the Group has full range capabilities in R&D, Design, Hardware and Software Engineering, Technical Services, Material Management, Supply Chain management, Sourcing, Logistic, Sales and Marketing services. The Group's belief is to provide its best to its customers by using its fullest capabilities and resources. The Group envisages that it can provide the best of China to the world.

For the year ended 31 December 2017, facing the increasingly fierce market competition, the Group tried to maintain the customer base through innovation and efficiency. From mid-2017, the management has changed the higher margin policy to a high volume, thin but positive gross margin in quoting business opportunities. The Group started to have some transaction in September 2017 and was ramping up to a level of about RMB60 million per month by the end of 2017. The management of the Company believes this will get the Group back on track in getting the volume and will be working on improving margins with better and more types of services in the transactions.

In 2017, the Group started to establish support team and facilities in Shenzhen and Hong Kong. From the third quarter of 2017, the Group has set up a sales and marketing team in Shenzhen to provide better communication and support for the local customers. The team will be handling both the supply and sales end, they will provide an important bridge for the Group to offer the fullest service to its customer base.

2017 First and Second Half Performance Comparison

RMB'000	**2017 1st Half**	**2017 2nd Half**	**2017 Full year**
Revenue	27,480	168,662	196,142
Cost of sales	(41,871)	(178,547)	(220,418)
Gross (loss)profit	(14,391)	(9,885)	(24,276)
Take out:			
Inventory provision	12,175	9,553	21,728
IP amortization	2,283	2,283	4,566
Adjusted gross profit	67	1,951	2,018
GP%	0.24%	1.16%	1.03%

For the second half of the period under review, the Group has been able to improve its revenue and gross profit to RMB168.7 million and RMB1.95 million respectively. As compare with the first half of the year, where the Group has gross profit of RMB67,000. The Group has now reorganized the internal and external resources such that the Group has a much more stable platform to compete in a fast changing market.

In analyzing the change in the Group's first half and second half year of 2017 performance, the Group's core business has rose from RMB27.5 million to RMB168.7 million and from RMB67,000 to RMB1.95 million in terms of revenue and gross profit. Taking away the non-cash items which are the FOREX loss of RMB21.2 million, inventory provision of RMB21.7 million and the IP impairment of RMB40.3 million, the Group's cost structure has improved by RMB83.2 million.

From this analysis, the management team believes the strategy is providing a good platform for us to compete and grow in the provision of products and services in the smartphone, smart devices and IoT market. The Group's core strength is in its supply chain and value chain services as well as the depth and breadth of the Group's customer and supply base.

In Hong Kong, the Group has set up a warehouse facility which the Group will turn it into a software and product upgrade and customer support operation. As part of the logistic support, the Group started to set up its own warehouse instead of using public godown, partly to save costs, partly to have better turnaround time for smartphone shipments; the Hong Kong warehouse was in operation starting in October 2017. The Group has performed part of the software upgrades and inspection in its own warehouse. A fully equipped ROM line has been set up in Hong Kong. In China, the Group has also set up supply chain providers to support its customers for export markets, these include software upgrade, sourcing, logistic, tax support functions, the Group will set up all these capabilities itself in Shenzhen and other strategic locations. In the longer run, the Group will set up facilities at local market to provide quicker response to customers and market needs. These functions will provide the Group with additional margins and give the Group better control over its service to its customers.

The Group observes the trend that the US market is picking up whilst some of the other markets are trending down. The Group has set up a subsidiary in Los Angeles, California, the United States. The Group's intention is to explore new opportunities in the US continent. Apart from developing new sales channels, the Group would like to link its capabilities to the area where the most innovative and advanced technologies come from.

As the Chinese market is slowing down, the Group has seen almost all of the smartphone makers are trying to sell to overseas, some of the larger brands has taken the step of offering free software packages for the smartphone to upgrade from a domestic version to an international version. The Group has made the decision not to use its own software as it will cost more as the Group has to spend engineering time to make a suitable software package. However, it is understood that the free software package will be offered during the period of down turn and this policy will be reverted to a paid one. It is with this background that the Group feels that it will be adding some resources in this area to turn its software into more universally adaptable to all the smartphones, instead of tailor made software.

Competition

In the ODM market, the top 5 competitors are IDH ("Independent Design House") based ODM. Their customer base is typically a number of very large Chinese brands with a pool of small local brands. With the large quantity requirements, they have the economy of scale and integral manufacturing capabilities which become very competitive in pricing and they also can withstand currency risks better than the Group. For the ROM business, three of the competitors that the Group has identified, are web-based and more towards trading than integrated with software upgrade and product packaging upgrades. Their aggregate annual revenue is estimated to be well over RMB3-4 billion.

Outlook

The smartphone has become one of the indispensable device, the Group has seen cities that have cancelled public phone booths; offices and homes that do not have landlines, smart gadgets are springing up to complement or replace the smartphones. From researchers forecasted a 2.8% CAGR from 2017 to 2022; hence the market will have room for the Group to grow and the Group is certain that with the introduction of 5G, future smartphone will be quite different from what it is today. The Group is prepared to and 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 the Group's decision in moving into different segment of market will prove to be successful. The Group will engage with its existing and past customers in developing new marketing activities.

On one hand, the Group will continuously enhance its technical capabilities, increase its CAPEX spending and to upgrade its support capabilities in software upgrade, product packaging and supply chain services and other value added services. On the other hand, the Group targets to improve its gross margins by providing more than one service to each of the orders the Group receives by leveraging its business skill, capabilities and customer base. The Group has also embarked on designing niche smartphones focusing in different market niches so as not to sell with pricing alone, this includes high security smartphones and child smartphone and a number of IoT wearable integrated smartphones. The Group has started to explore the IoT market, smart-anywhere/smart-everything products. The Group believes the smartphone market has entered into an era that it will become a necessity but not a commodity, there are a lot of new innovation that will come, such as the 5G technology is just around the corner, the interactive and self-drive automotive, smart home/appliance. The Group will be also looking into innovative tools in process utilizing best of technology such as RFID and Blockchain, we are targeting to use these tools to provide better and more secure process and transactions.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately RMB210.0 million or 51.71% to approximately RMB196.1 million for the year ended 31 December 2017 from approximately RMB406.1 million for the year ended 31 December 2016. The following table sets forth the breakdown of the Group's revenue by product type:

	For the year ended 31 December			
	2017		2016	
	RMB'000	***%***	*RMB'000*	*%*
Mobile telecommunication devices	**195,742**	**99.8**	392,017	96.5
Mobile telecommunication devices component packs	**–**	**–**	11,494	2.8
Mobile device components	**400**	**0.2**	2,623	0.7
	196,142	**100.0**	406,134	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 decreased from approximately RMB392.0 million for the year ended 31 December 2016 to approximately RMB195.7 million for the year ended 31 December 2017, representing a decrease of 50.1%. During the year ended 31 December 2017, the Group's revenue was mainly derived from 4G smartphones. The decrease in revenue was mainly due to the lost of two major customers in India and Hong Kong in 2017.

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

	Year ended 31 December 2017		Year ended 31 December 2016	
	RMB'000	***%***	*RMB'000*	*%*
Hong Kong	**187,199**	**95.4**	244,807	60.3
Taiwan	**6,581**	**3.4**	2,369	0.5
Europe	**1,298**	**0.7**	10,087	2.5
Other parts of Asia	**737**	**0.4**	1,981	0.5
South Asia	**284**	**0.1**	125,506	30.9
Africa	**43**	**–**	8,476	2.1
South America	**–**	**–**	11,517	2.8
North America	**–**	**–**	1,358	0.3
Southeast Asia	**–**	**–**	33	0.1
	196,142	**100.0**	406,134	100.0

Notes:

1. Sales to Hong Kong mainly comprised of sales to certain mobile trading companies incorporated in Hong Kong who sell mobile telecommunication devices to various countries including but not limited to The United Arab Emirates, Russia, Thailand and Malaysia.
2. Europe includes the Czech Republic, France, Cyprus and Portugal.
3. Other parts of Asia includes Singapore and Pakistan.
4. South Asia includes India.
5. Africa includes South Africa and Algeria.
6. South America includes Argentina.
7. North America includes United States of America.
8. Southeast Asia includes Philippines.

The Group's revenue generated from sales in Hong Kong decreased from approximately RMB244.8 million for the year ended 31 December 2016 to approximately RMB187.2 million for the year ended 31 December 2017, representing a decrease of 23.5%.

During the year ended 31 December 2017, the Group's revenue generated from sales in Taiwan was RMB6.6 million, representing an increase of 177.8%.

During the year ended 31 December 2017, the Group's revenue generated from sales in Europe decreased from RMB10.1 million for the year ended 31 December 2016 to RMB1.3 million, representing a significant decrease of 87.1%.

Gross profit and gross profit margin

	Year ended 31 December 2017		Year ended 31 December 2016	
	RMB'000	*%*	*RMB'000*	*%*
Mobile telecommunication devices	**(22,126)**	**(11.3)**	21,232	5.4
Mobile telecommunication devices component packs	**–**	**–**	(1,274)	(11.1)
Mobile device components	**(2,150)**	**(537.5)**	(115)	(4.4)
	(24,276)	**(12.4)**	19,843	4.9

Gross loss amounted to approximately RMB24.3 million for the year ended 31 December 2017, decreased by approximately RMB44.1 million from gross profit of RMB19.8 million for the year ended 31 December 2016. The gross profit ratio decreased from 4.9% for the year ended 31 December 2016 to a negative 12.4% for the year ended 31 December 2017.

The decline in gross profit ratio of smartphones was mainly attributable to the significant decrease in ODM business with higher profit margin in 2016 and the revenue in 2017 was mainly from Chinese brand smartphone with lower profit margin.

Research and development costs

Research and development costs mainly include product test costs. Research and development costs amounted to approximately RMB0.3 million for the year ended 31 December 2017, decreased by approximately RMB9.2 million or 96.8% from RMB9.5 million for the year ended 31 December 2016. The decrease was mainly because: i) the product test cost for developing functionality and feasibility of the new design has declined due to less ODM mobile models sold for the year; and ii) the number of staff decreased due to the downsize of business for the year.

Selling and distribution expenses

Selling and distribution expenses mainly include sales staff costs, publicity expense, office expenses, lease expenses and others. Selling expenses amounted to approximately RMB5.8 million for the year ended 31 December 2017, decreased by approximately RMB4.9 million or 45.8% from RMB10.7 million for the year ended 31 December 2016. The decrease was primarily due to: i) the decrease in freight charges and market expenses as a result of the decreased sales, and ii) the decrease in staff cost as a result of reduction in staff headcount.

Administrative expenses

Administrative expenses mainly include staff costs for administrative employees, audit fees, impairment loss recognised in respect of intangible assets and general office expenses. Administrative expenses amounted to approximately RMB62.2 million for the year ended 31 December 2017, increased by approximately RMB37.6 million or 152.8% from RMB24.6 million for the year ended 31 December 2016. The increase was primarily due to RMB1.8 million professional fee incurred for merger of a target company and the impairment of intangible assets amounted to RMB40.3 million.

Other income

Other income mainly consisted of the interest income on pledged bank deposit, bank deposits and bank balances which amounted to RMB12.1 million and services income amounted to RMB1.9 million for the year ended 31 December 2017.

Taxation

Income tax decreased by approximately RMB1.6 million or 44.4% to RMB2.0 million for the year ended 31 December 2017 from RMB3.6 million for the corresponding period in 2016. The decrease was mainly attributable to the loss for the year. 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 2017, the Group's total cash and bank balances increased by RMB26.2 million from RMB16.3 million as at 31 December 2016 to RMB42.5 million.

As at 31 December 2017, 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 4.9 compared with 2.5 at 31 December 2016.

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 2017.

Trade and other receivables

Trade and other receivables mainly include the trade receivables, other receivables and prepayments to suppliers. As at 31 December 2017, the carrying amount of trade and other receivables were approximately RMB74.5 million which was net of allowance of trade receivables, representing a decrease of approximately RMB301.7 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 was approximately RMB20.4 million as at 31 December 2017.

Intangible Assets

As at 31 December 2017, the carrying amount of the intangible asset is nil (2016: RMB44.9 million). Due to the free downloads of official upgrade software from the first-tier smartphone brands and encryption codes which prevent changes to the software codes, the use of the software technology in these target smartphone brands was negatively affected. The Directors considered the carrying amount of the software technology may not be recovered and full impairment was provided during the year ended 31 December 2017.

Inventories

As at 31 December 2017, the Group's total inventories increased by RMB13.7 million from RMB27.4 million (net of allowance RMB14.3 million) as at 31 December 2016 to RMB41.1 million (net of allowance RMB31.0 million). In determining the write down of inventories, the management considered the subsequent selling price and aging of inventories.

Contingent liabilities and commitments

At the end of the year 2017, the Group had commitments for future minimum lease payments under non-cancellable operating leases which amounted to RMB3.4 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.

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 RMB66,180 rental expenses were incurred by Benywave Wireless for the year ended 31 December 2017.

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 RMB737,000 rental expenses were incurred by Benywave Wireless for the year ended 31 December 2017.

Related party transactions

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. The service expense incurred was RMB210,000 for the year ended 31 December 2017.

Pursuant to a service agreement made between Ketai and Vital Mobile (HK) Limited ("Vital HK"). Vital HK provided supply chain services to Ketai. For the year ended 31 December 2017, the service income incurred was RMB1,941,000.

Dividends

The board of directors did not recommend the payment of dividend for the year ended 31 December 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a solid, transparent and sensible framework of corporate governance for the Company and its subsidiaries and will continue to review its effectiveness.

The Company has adopted the Code Provisions ("Code Provisions") as stated in the Corporate Governance Code and Corporate Governance Report ("CG Code") contained in Appendix 14 to the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") as the Corporate Governance Code ("Code") of the Company. 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.

During the year under review, the Company has complied with 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 for the year ended 31 December 2017.

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 2017.

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

2. Mr. Tang Shun Lam has been appointed as non-executive director of Sunnywell(China)New Material Technology Co., Ltd (stock quotation on "NEEQ" National Equities Exchange and Quotations, the stock code is 871214) with effect from 6 April 2017;

3. Mr. Lam Yiu Kin (i) has been appointed as an independent non-executive director of CITIC Telecom International Holdings Limited (stock code: 1883) with effect from 1 June 2017; (ii) has been appointed as an independent non-executive director of Bestway Global Holding Inc. (stock code: 3358) with effect from 18 October 2017; (iii) resigned as an independent non-executive director of Mason Group Holdings Limited (formerly known as "Mason Financial Holdings Limited") (stock code: 273) with effect from 24 May 2017.

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 2017 including the accounting principles and practices adopted by the Group.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in this announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2017. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

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 2017 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, 28 March 2018

As at the date of this announcement, the Board of the Company 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.