

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

GLOBAL OFFERING



Sole Sponsor, Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager



IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

Vital Mobile Holdings Limited

維太移動控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	212,500,000 Shares comprising 204,000,000 New Shares and 8,500,000 Sale Shares (subject to the Over-allotment Option)
Number of Hong Kong Public Offer Shares	:	21,250,000 Shares (subject to re-allocation)
Number of International Placing Shares	:	191,250,000 Shares comprising 182,750,000 New Shares and 8,500,000 Sale Shares (subject to re-allocation and the Over-allotment Option)
Offer Price	:	Not more than HK\$3.06 per Offer Share and expected to be not less than HK\$2.22 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	HK\$0.10 per Share
Stock code	:	6133

*Sole Sponsor, Sole Global Coordinator,
Sole Bookrunner and Sole Lead Manager*



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed “Documents delivered to the Registrar of Companies” in the section headed “Documents delivered to the Registrar of Companies and available for inspection” in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The final Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on the Price Determination Date, which is expected to be on or around Friday, 19 June 2015 and in any event, not later than Tuesday, 23 June 2015. The Offer Price will not be more than HK\$3.06 and is currently expected to be not less than HK\$2.22. If, for any reason, the final Offer Price is not agreed by Tuesday, 23 June 2015 between the Sole Global Coordinator (on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder), the Global Offering will not proceed and will lapse.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered, sold pledged or transferred, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. state securities laws. The Offer Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) if certain grounds for termination arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the subsection headed “Underwriting — Grounds for termination” in this prospectus.

EXPECTED TIMETABLE⁽¹⁾

Latest time to complete electronic applications under the HK eIPO White Form service through the designated website www.hkeipo.hk ⁽²⁾	11:30 a.m. on Friday, 19 June 2015
Application lists of the Hong Kong Public Offering open ⁽³⁾	11:45 a.m. on Friday, 19 June 2015
Latest time for lodging WHITE and YELLOW Application Forms and giving electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Friday, 19 June 2015
Latest time to complete payment of HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, 19 June 2015
Application lists of the Hong Kong Public Offering close ⁽³⁾	12:00 noon on Friday, 19 June 2015
Expected Price Determination Date ⁽⁵⁾	Friday, 19 June 2015
Announcement of the Offer Price, the levels of indication of interest in the International Placing, the level of applications in respect of the Hong Kong Public Offering and basis of allocation under the Hong Kong Public Offering to be published on the website of the Stock Exchange at www.hkexnews.hk ⁽⁶⁾ and our Company's website at www.vital-mobile.com ⁽⁷⁾ and in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	Thursday, 25 June 2015
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the subsection headed "How to apply for the Hong Kong Public Offer Shares — Publication of Results" in this prospectus from	Thursday, 25 June 2015
Results of allocations in the Hong Kong Public Offering to be available at www.tricor.com.hk/ipo/result with a "search by ID" function on	Thursday, 25 June 2015
Despatch of share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before ⁽⁸⁾	Thursday, 25 June 2015
Despatch of HK eIPO White Form e-Auto Refund payment instructions/refund cheques in respect of wholly successful (in the event that the final Offer Price is less than initial price per Hong Kong Public Offer Share payable on application) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before ⁽⁹⁾	Thursday, 25 June 2015
Dealings in the Shares on the Stock Exchange to commence on	Friday, 26 June 2015

EXPECTED TIMETABLE⁽¹⁾

Notes:

- (1) All times and dates refer to Hong Kong local times and dates except as otherwise stated. Details of the structure of the Global Offering, including the conditions of the Hong Kong Public Offering, are set out in the section headed “Structure and conditions of the Global Offering” of this prospectus. If there is any change in this expected timetable, an announcement will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).
- (2) You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 19 June 2015, the application lists will not open and close on that day. Please refer to the subsection headed “Effect of bad weather on the opening of the application lists” in the section headed “How to apply for the Hong Kong Public Offer Shares” of this prospectus. If the application lists do not open and close on Friday, 19 June 2015, the dates mentioned in this section headed “Expected timetable” may be affected. A press announcement will be made by us in such event.
- (4) Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the subsection headed “How to apply for the Hong Kong Public Offer Shares — Applying by giving **electronic application instructions** to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date, being the date on which the final Offer Price is to be determined, is expected to be on or around Friday, 19 June 2015 and in any event, not later than Tuesday, 23 June 2015. If, for any reason, the final Offer Price is not agreed by Tuesday, 23 June 2015 between the Sole Global Coordinator (on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholder), the Global Offering will not proceed and will lapse.
- (6) The announcement will be available for viewing on the “Main Board — Allotment of results” page on the website of the Stock Exchange at www.hkexnews.hk.
- (7) None of the websites or any of the information contained on those websites form part of this prospectus.
- (8) Applicants who apply for 1,000,000 Hong Kong Public Offer Shares or more on **WHITE** Application Form or through **HK eIPO White Form** and have provided all information required may collect share certificates (if applicable) and refund cheques (if applicable) in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 25 June 2015 or any other date as notified by us in the newspapers as the date of despatch of share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who opt for personal collection must not authorize any other person to make their collection on their behalf. Applicants being corporations for personal collection must attend by sending their authorised representatives each bearing a letter of authorization from his corporation stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar, Tricor Investor Services Limited. Applicants who have applied on **YELLOW** Application Forms may not collect their share certificates, which will be deposited into CCASS for credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected share certificates and refund cheques will be despatched by ordinary post to the addresses specified in the relevant applications at the applicants’ own risk. Further information is set out in the section headed “How to apply for the Hong Kong Public Offer Shares” of this prospectus.
- (9) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final Offer Price is less than the initial price per Hong Kong Public Offer Share payable on application. Part of your Hong Kong identity card number/passport number or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/ passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed “How to apply for the Hong Kong Public Offer Shares” of this prospectus.

Share certificates are expected to be issued on Thursday, 25 June 2015 but will only become valid certificates of title provided that the Global Offering has become unconditional in all respect and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Public Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision.

We have not authorised anyone to provide you with information that is different from what is contained in this prospectus.

Any information or representation not included in this prospectus must not be relied on by you as having been authorised by us, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Sole Sponsor, any of the Underwriters, any of our or their respective directors or any other persons or parties involved in the Global Offering.

Please note that the totals set forth in the tables in this prospectus may differ from the sum of individual items in such tables due to rounding.

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SUMMARY

This summary aims at giving you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety, including our financial statements and the accompanying notes, before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the sections headed “Definitions” and “Glossary” of this prospectus.

BUSINESS OVERVIEW

We are one of the leading ODM smartphone suppliers in the PRC targeting overseas markets. According to the Frost & Sullivan Report, we ranked the fourth amongst the PRC smartphone exporter on ODM basis in terms of export shipment volume^{Note} which accounted for approximately 2.5% of the total China smartphone export volume in 2014. We are primarily engaged in developing, designing, production management and sale of mobile handsets to markets covering more than 25 countries, excluding China. Our products are sold by our customers under their own or authorised brand names. Our customers include various top local branded mobile handset suppliers, telecommunication operators and trading companies in South Asia, South East Asia, Europe, North America, South America, Africa and other parts of Asia. The table below sets out the breakdown of our revenue by geographical locations of our customers for the periods indicated:

	For the year ended 31 December					
	2012		2013		2014	
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
South Asia	441,716	66.6	356,055	26.0	183,008	9.5
Southeast Asia	117,585	17.7	357,607	26.1	93,727	4.9
Hong Kong	16,659	2.5	827	0.1	500,331	26.1
Other parts of Asia	59,083	8.9	230,013	16.8	174,961	9.1
Europe	1,340	0.2	234,640	17.1	259,877	13.6
South America	7,188	1.1	124,787	9.1	203,920	10.6
North America	4,628	0.7	64,968	4.8	424,465	22.2
Africa	15,380	2.3	–	–	75,894	4.0
Total	663,579	100.0	1,368,897	100.0	1,916,183	100.0

Notes:

- (1) South Asia includes India and Bangladesh.
- (2) Southeast Asia includes Philippines, Thailand, Vietnam, Malaysia and Indonesia.
- (3) Sales to Hong Kong mainly comprised of sales to certain mobile trading companies incorporated in Hong Kong who sell branded mobile handsets to various countries including but not limited to Philippines, Vietnam, Thailand, Malaysia, India, Indonesia, Korea and Pakistan.
- (4) Other parts of Asia includes Taiwan, Yemen, Pakistan, Dubai, Israel, Nepal, Sri Lanka and Turkey.
- (5) Europe includes France, Romania, Spain, Russia, Portugal and Italy.
- (6) South America includes Brazil, Chile and Venezuela.
- (7) North America includes USA, Mexico and Honduras.
- (8) Africa includes South Africa, Algeria and Morocco.
- (9) During the Track Record Period, approximately 2.2%, 9.8% and 7.8% of the total revenue is attributed to those of Sanctioned Countries and Russia (where certain Sanctioned Persons are located).

Note:

According to Frost & Sullivan, global mobile handset shipment reached 1,890.0 million units in 2014. China has been responsible for a large proportion of the global handset production. The export volume of mobile handsets in China represented approximately 69.3% of the global mobile handset production in 2014. While the market is highly fragmented (i.e. the largest ODM smartphone exporter accounted for 4.3% of the total smartphone export volume in 2014), the Group's export volume accounted for 2.5% of the total PRC smartphone export volume in 2014. Approximately 81.9% of the smartphone export volume from China in 2014 was attributable to smartphone brand owners and OEM suppliers. The remaining 18.1% was attributable to exports by smartphone suppliers on ODM basis. The Chinese market of smartphone export on ODM basis remains large and representative.

SUMMARY

In 2011, our revenue was mainly derived from the sale of feature phones to South Asia. We launched smartphones in late 2011 and started to change our focus from feature phones to smartphones which were expected to attract higher profit margin than feature phones. We strived to increase our sales of smartphone in South Asia (i.e. India) and Southeast Asia in 2012 and subsequently diversified to Europe and South America in 2013. For the year ended 31 December 2014, we have further increased our sales to North America, South America and Africa as a result of increase in demand of 3G smartphones as well as the launch of our 4G smartphones and we strategically diversified our market into these regions to expand our customer base. The aggregate sales amount attributable to Asia (including South Asia, Southeast Asia, Hong Kong and other parts of Asia) remained stable for the years ended 31 December 2013 and 2014 which amounted to approximately RMB944.5 million and RMB952.0 million respectively. However, there were significant changes in sales by geographical segments within Asia. Sales to Hong Kong increased significantly from approximately RMB0.8 million for the year ended 31 December 2013 to approximately RMB500.3 million for the year ended 31 December 2014, whereas sales to South Asia and Southeast Asia have decreased significantly by approximately 48.6% and 73.8% for the year ended 31 December 2014 as compared to the same period in 2013. This was primarily due to our increase in sales to mobile handset trading companies in Hong Kong which in turn sell such products to various countries, primarily Southeast Asia (including, among others, Thailand and Vietnam).

Our Group has adopted temporary measures of diverting our sales to customers in Hong Kong from Southeast Asia due to certain specific considerations in 2014. Such decision was in response to the anti-China protests and riots in Vietnam in May 2014 and to various political events in Thailand during 2014. We reduced direct sales to these countries to minimize our risk of potential delay or default in payments. Instead, we increased sales to mobile handset trading companies in Hong Kong which, based on our previous industry experience, are reliable and with good reputation in having extensive sales network in Southeast Asian countries. Such decision was intended to maintain our market share and positioning in Southeast Asia while minimizing our credit risk exposure. The decrease in sales made to South Asia was primarily due to feature phones being more common than smartphones in countries like India and Bangladesh, while we have changed our product offerings to 3G and 4G smartphones but the sales of our 4G smartphones in South Asia has yet to reach a significant volume. We, however, expect our revenue contribution from South Asia will increase in 2015 following the further establishment of 4G mobile network infrastructure in more cities in India by the second half of 2014. Following our successful expansion of customer base and commencement of business relationship in 2014 with a new customer in India being a leading local telecommunication operator, we expect our sales volume in India will increase in 2015 and South Asia will remain to be our key markets.

Other than the above, the increase in revenue generated from Hong Kong was also resulted from selling of certain slow inventory products to a well-established mobile handset supplier in Hong Kong who supplies its own branded mobile handsets and trades mobile handsets of various third party brands to primarily Southeast Asia countries, east Europe and Dubai area, in which this Hong Kong customer has a well penetrated distribution network.

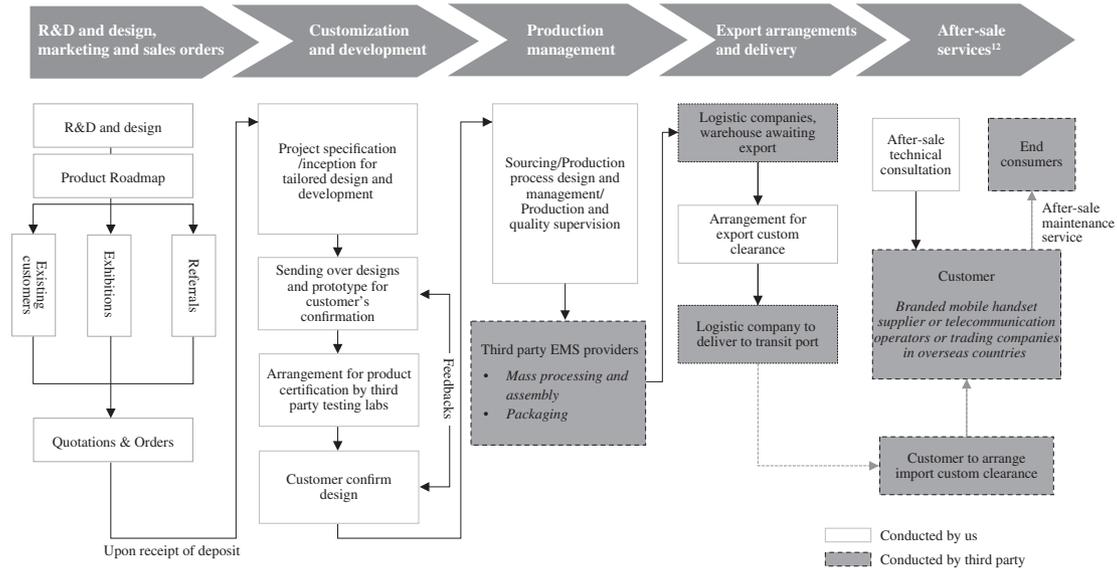
For further details regarding the above, please refer to the subsection headed “Business — Geographical analysis” in this prospectus.

OUR BUSINESS MODEL

Design of mobile handsets mainly involves hardware, software, mechanical and circuitry design for producing a mobile handset to maximize the compatibility of various hardware, software and components of a mobile handset with specified functions as well as outlook design of the products. We outsource our processing and assembly processes to our EMS providers while providing raw material, production process design, technical support and onsite supervising personnel to monitor the production schedule and product quality. We

SUMMARY

provide one-stop services from design to delivery to our customers for affordable smartphone with advanced functionality, quality and aesthetic. Our business model is illustrated in the following diagram:



For further information, please refer to the subsection headed “Business — Our Business Model” in this prospectus.

OUR PRODUCTS

During the Track Record Period, our primary products include smartphones and feature phones. A smartphone is a mobile device which combines the function of a mobile handset and a conventional personal computer with functionality beyond making phone calls and sending text messages. A smartphone runs on an operating system which provides configuration options for the user to install and use various third-party applications (APPs). A smartphone is usually more advanced in computing capability and connectivity than basic feature phones. A feature phone typically provides voice calling and text messaging functionality, in addition to basic multimedia and internet capabilities, and other services offered by the user’s wireless service provider. As compared with smartphones, feature phones have limited web access, and a rather limited ability to run third-party applications. Below is the our revenue by product type breakdown during the Track Record Period:

	For the year ended 31 December											
	2012				2013				2014			
	Revenue	Percentage of total revenue	Sales Volume	Average Selling Price	Revenue	Percentage of total revenue	Sales Volume	Average Selling Price	Revenue	Percentage of total revenue	Sales Volume	Average Selling Price
	RMB'000	%	'000 units	RMB	RMB'000	%	'000 units	RMB	RMB'000	%	'000 units	RMB
Smartphones	311,735	46.9	634	492	1,242,092	90.7	2,185	568	1,717,971	89.7	3,362	511
Feature phones	351,489	53.0	2,576	136	4,780	0.3	46	104	-	-	-	-
Smartphone component packs	-	-	-	-	121,528	8.9	322	377	196,277	10.2	408	481
Mobile device components	355	0.1	2	178	497	0.1	2	249	1,935	0.1	126	15
Total	663,579	100.0	3,212	207	1,368,897	100.0	2,555	536	1,916,183	100.0	3,896	492

Notes:

- (1) Since 2013, at the request by our customers, we sold certain component packs of smartphones (semi knock-down (SKDs) for mobile handsets which include hardware components such as display modules, camera modules, audio, sensors, etc.) that are assembled and packaged by our customer(s) after being imported to their country(ies), as they consider the importation of finished electronic devices attracts higher taxes than those of components in the relevant country(ies).
- (2) Mobile device components refer to spare mobile components and parts purchased by our customers for providing after-sale maintenance services to their end users.

SUMMARY

We design and offer mobile handsets with a wide range of technical specifications to meet our customers' needs in different parts of the world. We offer mobile handsets adopting various mobile communication standards including 2G, 3G and 4G in GSM, CDMA, EVDO, WCDMA and LTE, etc. with different operating frequency applicable to different countries and regions. Below is the breakdown of our sales by mobile communication standards during the Track Record Period:

	For the year ended 31 December											
	2012				2013				2014			
	Percentage of total Revenue RMB'000	Sales revenue %	Sales Volume '000 units	Average selling price RMB	Percentage of total Revenue RMB'000	Sales revenue %	Sales Volume '000 units	Average selling price RMB	Revenue RMB'000	Percentage of total revenue %	Sales Volume '000 units	Average selling price RMB
2G	351,489	53.0	2,576	136	4,780	0.3	46	104	-	-	-	-
3G	311,735	46.9	634	492	1,363,620	99.6	2,507	544	1,152,263	60.1	2,658	434
4G	-	-	-	-	-	-	-	-	761,985	39.8	1,112	685
Others	355	0.1	2	178	497	0.1	2	249	1,935	0.1	126	15
Total	663,579	100.0	3,212	207	1,368,897	100.0	2,555	536	1,916,183	100.0	3,896	492

Note: Sales of 3G products include both smartphones sales and smartphone components packs sales.

From 2011 to 2012, we were in the transition period shifting our product focus from feature phones to smartphones (which were expected to attract higher profit margin than feature phones). In 2013 and 2014, with (i) the improvement in the 3G infrastructure in emerging markets and (ii) our successful diversification into markets with higher demand for smartphones such as France, North America and South America, we successfully shifted our product mix consisting of over 99.0% of sales in smartphones and smartphone component packs. Our revenue was substantially increased by a CAGR of approximately 69.9% from 2012 to 2014 as a result of the increase in sales volume of smartphones.

OUR COMPETITIVE STRENGTHS

We set out our competitive strengths as follows:

- We are one of the leading smartphone ODM suppliers targeting overseas markets with strategic focus on the emerging countries
- We have established long-term relationship with worldwide customers
- We focus on high value adding ODM services with a robust business model
- We have strong R&D and adaptive design capabilities to cater for technology development trends and customers' needs
- We have an experienced, stable and dedicated management team

OUR CUSTOMERS

We have cultivated long-term relationship up to 7 years with our worldwide customers. We have designed for and supplied mobile handsets to various top local branded mobile handset suppliers and telecommunication operators (directly or through their authorised agents) as well as trading companies who sell the mobile handsets under their own or authorised brands such as Karbonn in India, Archos in France and Cherry in Philippines. As at 31 December 2014, three of our top ten customers have been our customers for over four years. The revenue attributed to our largest customer amounted to approximately RMB215.0 million, RMB257.4 million and RMB385.9 million for each of the three years ended 31 December 2014 which accounted for approximately 32.4%, 18.8% and 20.1% of our total revenue for the corresponding period respectively. The revenue attributed to our five largest customers amounted to approximately RMB457.2 million, RMB835.1 million and RMB1,171.4 million for each of the three years ended 31 December 2014 which accounted for approximately 68.9%, 61.0% and 61.1% of our total revenue for the corresponding periods respectively.

SUMMARY

OUR SUPPLIERS

We purchased mobile chipsets from global leading chipset providers such as Qualcomm and Mediatek during the Track Record Period and we are often selected by major mobile chipset suppliers such as Qualcomm as their alpha partners for their newly developed mobile chipsets. Alpha partners refer to cooperative partners of the chipset maker to design, develop and manufacture mobile handsets using newly developed chipsets to be launched for the purpose of formulating the reference designs of mobile handsets. Such reference designs are technical blueprints of a system to be published by the chipset manufacturer and intended for mobile handset suppliers to make reference to in adopting the new chipset. Our other suppliers are communication and electronic technology companies in China, located mainly in Beijing, Shanghai, Zhejiang Province and Guangdong Province. During the Track Record Period, the purchase from our largest supplier amounted to approximately RMB45.6 million, RMB269.7 million and RMB237.9 million for each of the three years ended 31 December 2014, representing approximately 8.2%, 21.3% and 14.1% of the total purchase of the Company for the corresponding periods. The purchase from our five largest suppliers amounted to approximately RMB158.9 million, RMB492.1 million and RMB908.1 million for each of the three years ended 31 December 2014, representing approximately 28.5%, 38.8% and 53.9% of the total purchase of each relevant periods respectively.

OUTSOURCING

We strategically adopt an asset light business model. We source raw materials and deliver to our EMS providers who are responsible for product processing and assembly. We provide our EMS providers with production instruction and software design packs to be readily and directly applied on the SMT lines, and utilise their equipment and human resources to assemble our mobile handsets according to our design and technical specifications. We also assign onsite quality control managers and technical supervisors for production management, technical support and quality check. We engage reliable EMS providers to ensure consistency in quality of our products. Benywave Technology maintained long-term relationship with one of the EMS providers who is the second largest mobile handset EMS manufacturers worldwide 2013 (in terms of market share based on shipment according to Frost & Sullivan) for more than five years, and we continue to maintain such relationship after the Split.

During the Track Record Period, we entered into outsourcing agreements with six EMS providers, each for a term of two years. In 2014 prior to the Split, we procured services from four of these EMS providers and approximately 60.6% of the subcontracting costs was attributable to the above major EMS providers. After the Split, we continued to engage three out of these four EMS providers. We entered into outsourcing agreements with each of these three EMS providers for a term of two years at similar terms adopted prior to the Split. For the three months ended 31 March 2015, approximately 58.7% of the subcontracting costs were attributable to the above mentioned major EMS providers.

OUR STRATEGIES

We aim to execute the following strategies to further enhance our position as a leading ODM smartphone supplier targeting overseas markets:

- Strengthen our R&D capabilities
- Broaden our customer base and further diversify in global markets which include, for example, South America, Africa, North America and South Asia
- Establish representative offices and strategic partnership in our key overseas market
- Expand our product features and offering, including for example, wearable devices with mobile telecommunication function, “smart home” devices and health care management products

BACKGROUND OF THE SPLIT

Our principal subsidiary Benywave Wireless is a company split from Benywave Technology which engaged in both the PRC Business (which has been primarily engaged in developing, designing, production management and selling of mobile telecommunications devices and its related components and accessories under its self-owned brands, targeting the PRC market) and the Overseas Business (which has been primarily

SUMMARY

engaged in developing, designing, production management and selling of mobile telecommunication devices on ODM basis and its related components and accessories, targeting overseas markets) during the Pre-split Period.

Since 2010, our management considered that the PRC Business and the Overseas Business were different in business model, target customers, pricing and settlement and has started to delineate and separate their operations and management. In July 2014, Benywave Technology was split into two legal entities with the already existing Benywave Technology assuming the PRC Business whereas the newly established entity under the Split, namely Benywave Wireless, assuming the Overseas Business and being the principal subsidiary of the Group for the Listing. For further details, please refer to the subsection headed “Relationship with Controlling Shareholders — Delineation of Business” in this prospectus.

Considering the differences in, among others, business model, target customers, pricing and settlement between the Excluded Group and the Group, the Directors are of the view that there is a proper delineation between the business of our Group and that of the Excluded Group, as a result of which, we believe there is no competition between the business of the Excluded Group and the business of our Group in all material respects. As such, we are of the view that the Controlling Shareholders and the Directors (including the independent non-executive Directors) do not have an interest in a business apart from the business of our Group which competes or is likely to compete, directly or indirectly, with the business of our Group in all material respects. For more details, please refer to the subsection headed “Relationship with Controlling Shareholders — Delineation of Business” in this prospectus.

SUMMARY FINANCIAL INFORMATION

The following tables set forth our summary consolidated income statement and consolidated statements of financial position during the Track Record Period prepared in accordance with IFRS, amendments and interpretations issued by the HKICPA, which are extracted from our consolidated financial statements included in the Accountants’ Report set out in Appendix I to this prospectus.

Since the Overseas Business was carried out by Benywave Technology prior to the Split, to the extent the assets, liabilities, income and expenses that are directly attributable to the Overseas Business, such items are included in the financial statements of our Group throughout the Pre-Split Period up to 31 August 2014. To the extent the assets, liabilities, income and expenses are common to the Overseas Business and the PRC Business, these items are allocated between the Overseas Business and the PRC Business on a reasonable basis according to the nature of the items during the Pre-Split Period up to 31 August 2014. Income and expenses (other than certain R&D expenses, administrative expenses and income tax expenses), assets and liabilities have been identified by the management of our Group using a specific identification method. Certain R&D expenses and administrative expenses have been allocated by budgeted revenue and headcount respectively between the Overseas Business and PRC Business. Income tax expenses were calculated based on the tax rate of the Overseas Business as if it was a separate tax payer prior to the Split. The amounts allocated to the Overseas Business are included in the financial statements of our Group throughout the Pre-Split Period up to 31 August 2014. Also, prior to the Split, bank and cash generated by and the retained earnings of the Overseas Business were maintained in the same bank account of those of the PRC Business of Benywave Technology. After the completion of the Split, our Group opened its own bank accounts and as at 31 December 2014, our Group had cash and cash equivalents of RMB10.4 million in its own bank accounts and its major operating subsidiary Benywave Wireless has share capital of RMB100,000,000. During the Pre-Split Period, the funds provided for or withdrawn from Benywave Technology were presented as movements in the special reserve earnings of the Overseas Business while there are no cash and cash equivalents balance for Overseas Business. Accordingly, there were no cash received/paid directly by our Group in connection with its operating, investing and financing activities during the Pre-Split Period. For details, please refer to the subsection headed “Financial Information — Basis of Preparation” in this prospectus.

SUMMARY

Summary information on consolidated statements of profit or loss and other comprehensive income

The following table summarises the consolidated statement of profit or loss and other comprehensive income data from the Financial Statements during the Track Record Period, details of which are set out in Appendix I to this prospectus:

	Year Ended 31 December					
	2012		2013		2014	
	Amount <i>RMB'000</i>	Percentage of Total Revenue %	Amount <i>RMB'000</i>	Percentage of Total Revenue %	Amount <i>RMB'000</i>	Percentage of Total Revenue %
Revenue	663,579	100.0	1,368,897	100.0	1,916,183	100.0
Gross profit	79,499	12.0	148,221	10.8	260,234	13.6
Profit and total comprehensive income for the year attributable to equity holders of the Company	<u>35,759</u>	<u>5.4</u>	<u>82,873</u>	<u>6.1</u>	<u>156,225</u>	<u>8.2</u>

Gross profit and gross profit margin

The following tables set out our Group's gross profit and gross profit margin for by product types during the Track Record Period:

	For the year ended 31 December					
	2012		2013		2014	
	Gross profit <i>RMB'000</i>	Gross profit margin %	Gross profit <i>RMB'000</i>	Gross profit margin %	Gross profit <i>RMB'000</i>	Gross profit margin %
Smartphones	38,070	12.2	128,566	10.4	236,366	13.8
Feature phones	41,321	11.8	377	7.9	–	–
Smartphone component packs	–	–	19,159	15.8	23,728	12.1
Mobile device components	108	30.4	119	23.9	140	7.2
Total	<u>79,499</u>	<u>12.0</u>	<u>148,221</u>	<u>10.8</u>	<u>260,234</u>	<u>13.6</u>

The following table sets forth, for the periods indicated, a breakdown of our cost of sales by nature:

	For the year ended 31 December					
	2012		2013		2014	
	Amount <i>RMB'000</i>	Percentage of Cost of Sale %	Amount <i>RMB'000</i>	Percentage of Cost of Sale %	Amount <i>RMB'000</i>	Percentage of Cost of Sale %
Raw materials	537,960	92.1	1,142,684	93.6	1,505,073	90.9
Subcontracting costs	42,247	7.2	50,292	4.1	92,625	5.6
Write down of inventories	2,675	0.5	2,960	0.3	2,472	0.1
Warranty	(4,796)	(0.8)	3,874	0.3	10,854	0.7
Others	5,994	1.0	20,866	1.7	44,925	2.7
Total	<u>584,080</u>	<u>100.0</u>	<u>1,220,676</u>	<u>100.0</u>	<u>1,655,949</u>	<u>100.0</u>

SUMMARY

Consolidated Statements of Cash Flows

	For the year ended 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating cash flows before movements in working capital	33,692	89,451	185,715
Net cash generated from (used in) operating activities	114,506	175,193	(170,100)
Net cash generated from (used in) investing activities	1,893	(155)	(7,866)
Cash generated from financing activity	—	—	4,116
	—	—	4,116
Net cash generated by (used in) Overseas Business/ net increase (decrease) in cash and cash equivalents	116,399	175,038	(173,850)
Net (return to) contribution from Benywave Technology	(116,399)	(175,038)	184,825
Effect of pledged bank deposits	—	—	(535)
	—	—	(535)
Cash and cash equivalents at the end of the year	—	—	10,440

Selected Consolidated Balance Sheets Items

	For the years ended 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	309	340	208
Current assets	113,732	114,571	540,221
Current liabilities	(65,462)	(158,497)	(242,965)
Net current assets (liabilities)	48,270	(43,926)	297,256
Net assets (liabilities)	48,579	(43,586)	297,464

Negative equity and net liabilities for the year ended 31 December 2013

Benywave Wireless (which assumed the Overseas Business of Benywave Technology upon the Split) generated profit in the amount of RMB35.8 million, RMB82.9 million and RMB156.2 million for each of the three years ended 31 December 2014 respectively. Such profit historically belonged to Benywave Technology as a single legal entity, and are regarded as non-distributable profit of our Group and treated as special reserve. Further, the cash generated by the Overseas Business and the PRC Business are maintained in the same bank account of Benywave Technology as one single entity before the Split. All cash generated by Benywave Wireless (while in fact was in the bank accounts of Benywave Technology historically) is treated and deemed to be transferred from Benywave Wireless to Benywave Technology. Corresponding to such cash outflow, the same amount is debited to the special reserve of Benywave Technology for accounting treatment purpose. At the end of each reporting period, reserves mainly comprised of special reserve which represents the net return to or contribution from equity holders of the Company, which is the sum of the net profit in respect of Overseas Business retained in Benywave Technology and the net funding generated from Overseas Business received by Benywave Technology or net funding paid by Benywave Technology to Overseas Business. The positive balance of reserves at the end of the reporting period indicates the accumulated profit retained in Benywave Technology as well as the accumulated funding provided by Benywave Technology exceeds the cash generated from Overseas Business during the year retained by Benywave Technology; while the negative balance indicates the cash generated from Overseas Business during the year retained by Benywave Technology exceeds accumulated profit retained in Benywave Technology as well as the accumulated funding provided by Benywave Technology.

As of 31 December 2013, we recorded net current liabilities of approximately RMB43.9 million and negative equity of approximately RMB43.6 million, indicating the cash generated from the Overseas Business during the year retained by Benywave Technology exceeds accumulated profit retained in Benywave Technology as well as the accumulated funding provided by Benywave Technology. The net liabilities and net current liabilities were not resulted from loss making or cash outflow arisen from our operations. As the net current liability and negative equity is as a result of an accounting treatment for the purpose of the Split, our

SUMMARY

Directors confirm the Overseas Business and our Group has sufficient working capital prior to and after the completion of the Split, and all the current account balances (including trade payables to a related party) are settled prior to the Listing. We operate independently from Benywave Technology and we are able to fund our operations with our own cash generated from our operations as well as the assets assumed from Benywave Technology upon completion of the Split. Our Directors confirm and the Sole Sponsor concurs, based on the cash generated from our operations and the estimated net proceeds from the Listing, we will have sufficient working capital for at least 12 months following the date of this prospectus.

Net cash outflow from operating activities for the year ended 31 December 2014

We recorded cash outflow from operating activities of RMB170.1 million for the year ended 31 December 2014. Our net cash outflow from operating activities were primarily due to the i) increase in trade and other receivables of approximately RMB354.9 million as (a) we granted credit terms to an increasing number of more customers to expand our customer base and to increase our competitiveness and (b) we granted approval to some of our customers an extended credit period on a case-by-case basis at the request of our customers to cater for their needs at the specific time after taking into account of various factors including among others, the length of relationship and historical credit record, (ii) increase in inventories of RMB56.6 million as more raw materials were kept to meet the increasing sales volume and (iii) decrease in deposits received from customers of RMB39.1 million. As over 90% of the relevant trade receivables were collected as at the Latest Practicable Date, our Directors confirm and the Sole Sponsor concurs, based on the cash generated from our operations, our quick cash conversion cycle during the Track Record Period and the estimated net proceeds from the Listing, we will have sufficient working capital for at least 12 months following the date of this prospectus.

WE MAY BE SUBJECT TO HIGHER ENTERPRISE INCOME TAX WHICH MAY HAVE SIGNIFICANT IMPACT ON OUR GROUP'S NET PROFIT MARGIN

Our principal subsidiary Benywave Wireless is a company split from Benywave Technology which engaged in both PRC Business and Overseas Business during the Pre-split Period. The standard statutory enterprise income tax rate under the PRC laws is 25%, whereas the relevant applicable tax rate for Benywave Technology is 15% as it has been recognised as a high technology enterprise. Given the PRC Business is less profitable than the Overseas Business and Benywave Technology recorded tax loss during the Pre-Split Period, with reference to its financial statements and its tax filings made in accordance with the relevant PRC tax laws, Benywave Technology were hence not required to pay taxes during the Pre-split Period. Notwithstanding the foregoing, given Benywave Wireless which assumes the Overseas Business recorded net profit before tax at approximately RMB42.1 million, RMB97.5 million and RMB193.7 million for each of the three years ended 31 December 2014 (based on its audited accounts prepared based on IFRS), an enterprise income tax rate of 15% has been provided for in the financial statements of Benywave Wireless during the Pre-split Period and 25% has been provided for in the financial statements of Benywave Wireless after the Split, and resulted in profit after tax in the amount of RMB35.8 million, RMB82.9 million and RMB156.2 million respectively.

After the Split, Benywave Wireless only engages in Overseas Business and becomes the principal subsidiary of our Group and it will be subject to standard statutory enterprise income tax at a rate of 25% unless certain exemptions for high technology enterprises are granted which would lower the applicable tax rate to 15%. As a newly set up entity, Benywave Wireless can only apply to become a "New and High Technology Enterprise" after one year of operations and hence before obtaining such qualification, its applicable statutory enterprise income tax rate would be 25%. For the investors' reference, assuming Benywave Wireless was subject to statutory enterprise income tax rate of 25% for each of the three years ended 31 December 2014, its net profit after tax would amount to approximately RMB31.6 million, RMB73.1 million and RMB140.5 million during the relevant periods respectively.

BUSINESS ACTIVITIES IN SANCTIONED COUNTRIES

We have had product sales in connection with certain Sanctioned Countries, namely, Yemen, Venezuela and Russia (where certain Sanctioned Persons are located), and we will continue to carry on such business activities in connection with these Sanctioned Countries. The amount of total revenue generated from sales to these Sanctioned Countries for each of the three years ended 31 December 2014 represented approximately 2.2%, 9.8% and 7.8% of our total revenue for the same periods, respectively. As advised by DLA Piper, our legal advisers as to International Sanctions laws, our Group's business activities in Yemen, Venezuela and

SUMMARY

Russia (where certain Sanctioned Persons are located) during the Track Record Period are not sanctioned activities under the International Sanctions laws and do not implicate the applicability of International Sanctions laws on our Group, or any person or entity, including our Group's investors, the Stock Exchange, the HKSCC and the HKSCC Nominees. Please refer to the subsection headed "Business — Business activities in Sanctioned Countries" in this prospectus for details of our operations and business activities in those countries, our various undertakings to the Stock Exchange and relevant internal control procedures. We confirm that, save as disclosed above, our Group did not have, during the Track Record Period and up to the Latest Practicable Date, any business activities in connection with any countries, governments, entities or individuals sanctioned by the U.S., the EU, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC administered sanctions.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Although the legal process of the Split was completed on 22 July 2014, the Overseas Business and the PRC Business have been separated and delineated from all material respects since 2010, hence the Split was in substance a legal process to reflect the practical state of facts and provide a separate legal entity for each of the two businesses already delineated and has no material impact on our Group's operations and financial position. Our Directors expect our Group to maintain the same cost structure as the cost of sales and selling and distribution expenses of our Group have been recorded separately from the PRC Business during the Pre-split Period up to 31 August 2014 and will continue to be recorded separately after the Split. The total sharing of costs between our Group and the PRC Business accounted for approximately 14.9%, 10.6% and 9.7% of the total operating costs, excluding raw materials for our Group for each of the two years ended 31 December 2013 and for the eight months ended 31 August 2014 respectively, such sharing of costs have ceased by 31 August 2014 (shortly after obtaining the Customs Declaration Certificate (海關報關單位註冊登記證書) by Benywave Wireless) except for the connected transactions as set out in the section headed "Connected Transactions" of this prospectus. Taking into account the proportion of R&D costs and administrative expenses actually incurred after the Split up to 31 December 2014 to our Group's total revenue during the relevant period, our Directors expect that there would be no material change in the proportion of the R&D costs and the administrative expenses to our total revenue as a result of the Split.

Save as the expected change in the applicable enterprise income tax rate as mentioned in the subsection headed "We may be subject to higher enterprise income tax which may have significant impact on our Group's net profit margin" above, given there has been no material change of the cost structure of our Group after the Split, our Directors expect the operating profit margin of our Group will be maintained at a similar level as those during the Pre-split Period up to 31 August 2014.

Based on our unaudited management accounts, our sales for the four months ended 30 April 2015 remained stable whereas the gross profit and gross profit margin increased as compared to the corresponding period in 2014. This is a net-off effect of the decreases in sales, gross profit and gross profit margin for the two months ended 28 February 2015 as compared to the previous corresponding period, and the gradual pick up performance in subsequent months up to April 2015. The decreases for the two months ended 28 February 2015 were primarily because of (i) the gradual decrease in average selling price of 3G products with the progression of its product life cycle, increase in competition in the 3G product market and upcoming popularity of 4G mobile handsets. In particular, certain 3G smartphone products we sold for the two months ended 28 February 2015 were repeated orders of long aged designs which were sold at low average selling prices; (ii) decrease in sales of our smartphone component packs as the relevant customer which we supplied smartphone component packs during the Track Record Period was acquired by a multinational technology company and as our management foresee potential changes in its mobile business segment on its development plan we have intentionally decreased sales to such customer to avoid any uncertainties arising from its internal restructuring; and (iii) there had been large orders of products delivered in December 2014 rather than in January 2015 which reduced the products delivered and revenue recognized in January 2015 as compared to the previous corresponding period. The overall increases in gross profit and gross profit margin for the four months ended 30 April 2015 as compared to the previously corresponding period was mainly due to the increase in sales of 4G products and the launch of our new 2015 4G smartphone models, which achieved higher gross profit margin than 3G products.

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Up to 30 April 2015, there was no significant increase in costs of sales or other costs subsequent to 31 August 2014 as compared to the Pre-Split Period. Based on our unaudited management accounts, our sales, gross profit and gross profit margin for the eight months ended 30 April 2015 increased as compared to the corresponding period in 2014. These increases were mainly due to our increase in total sales volume and increase in sales of 4G products which has higher average selling price than 3G products.

According to Frost & Sullivan, although the standard of 5G has been released, it is still at a conceptual stage and its commercialisation is expected to take certain years taking into account that it took around eight years to upgrade from 3G to 4G. Global subscription for LTE has reached 497.0 million in 2014 and is expected to grow at a CAGR of approximately 31.8% to 1,976.4 million in 2019.

Save as the above, our Directors confirm that there has been no material change in the industry in which we operate or to our business, our business model, cost and revenue structures or financial condition, operational or trading position since 31 December 2014 that would materially affect the information shown in our financial statements as set forth in Appendix I to this prospectus.

LISTING EXPENSES

We incurred listing expenses of approximately RMB12.5 million for the year ended 31 December 2014 in connection with the Global Offering, which were charged to our profit and loss accounts as expenses. Listing expenses (excluding commission and incentive fees (if any) to be payable to the Underwriters, the SFC transaction levy and the Stock Exchange trading fee) paid or payable by our Company are estimated to be approximately RMB14.7 million for the year ending 31 December 2015 in connection with the Global Offering, of which approximately RMB11.2 million will be charged to our profit and loss accounts as expenses and approximately RMB3.5 million will be capitalised. Our Directors do not expect such expenses to have a material adverse impact on our financial results for the year ending 31 December 2015.

FUTURE PLAN AND USE OF PROCEEDS

The aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering and assuming an Offer Price of HK\$2.64 per Share, being the mid-point of the indicative range of the Offer Price of HK\$2.22 to HK\$3.06 per Share, and assuming the Over-allotment Option is not exercised) will be approximately HK\$500.3 million. Our Directors intend to apply the net proceeds from the Global Offering as follows:

<i>HK\$ in approximate</i>	<i>RMB equivalent in approximate</i>	Percentage of total amount of the net proceeds	Use of proceeds
227.6 million	180.5 million	45.5%	• purchasing raw materials to expand our raw material sourcing capacity
135.1 million	107.1 million	27.0%	• setting up overseas representative offices and / or establishing partnership with top local branded mobile handset suppliers or telecommunication operators in our key markets
62.5 million	49.6 million	12.5%	• expanding our research and development capabilities
25.0 million	19.8 million	5.0%	• setting up a new quality testing laboratory, employing additional quality testing personnel and purchasing additional quality testing equipments
50.0 million	39.7 million	10.0%	• general working capital

For details on how we plan to apply the net proceeds from the Global Offering, please refer to the section headed “Future Plans and Use of Proceeds” of this prospectus.

SUMMARY

RISK FACTORS

There are certain risks relating to investment in the Offer Shares, among which the relatively material risks include (i) we operate in the mobile handset industry characterized by rapid technological changes and any delay by us in rolling out new and competitive mobile handsets will reduce our revenue; (ii) we may be unable to respond to rapidly changing new trends and customer preferences for mobile handsets in a cost and time efficient manner and our competitiveness will drop; (iii) we rely on third party EMS providers to process and assemble all of our products to meet our orders and we have less control over the time, process and costs of the production process and (iv) we may be subject to higher enterprise income tax which will reduce our profitability. For details and discussions of the risks, please refer to the section headed “Risk Factors” of this prospectus.

DIVIDEND POLICY

We have not declared any dividends during the Track Record Period. The recommendation of the payment of dividend is subject to the absolute discretion of our Board, and, after listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders. Our Directors may recommend a payment of dividend in the future after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders. For details of our dividend policy, please refer to the subsection headed “Financial Information — Dividend Policy” in this prospectus.

GLOBAL OFFERING STATISTICS

The Global Offering consists of (i) 21,250,000 Offer Shares for subscription by the public in Hong Kong (assuming that the Over-allotment Option is not exercised) and (ii) 191,250,000 Offer Shares comprising 182,750,000 New Shares and 8,500,000 Sale Shares (subject to re-allocation and the Over-allotment Option under the International Placing). If the Over-allotment Option is exercised, our Company will be issuing up to 235,875,000 New Shares.

	Based on the maximum Offer Price of HK\$3.06 per Offer Share	Based on the minimum Offer Price of HK\$2.22 per Offer Share
Market capitalisation of our Shares ⁽²⁾	HK\$2,601.0 million	HK\$1,887.0 million
Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾	HK\$1.13	HK\$0.93

Notes:

1. All statistics in this table are based on the assumption that the Over-allotment Option is not exercised and no options are granted under the Share Option Scheme.
2. The market capitalisation is calculated based on 850,000,000 Shares expected to be in issue immediately following completion of the Global Offering and the Capitalisation Issue and assuming that the Over-allotment Option is not exercised.
3. The unaudited pro forma adjusted net tangible assets per Share is calculated after making the adjustments referred to in Appendix II headed “Unaudited pro forma financial information” to this prospectus and on the basis of a total of 850,000,000 Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue and assuming that the Over-allotment Option is not exercised.

DEFINITIONS

In this prospectus, the following expressions shall have the meanings set out below unless the context requires otherwise.

“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s), or where the context so requires, any of such forms as used in the Hong Kong Public Offering
“Articles” or “Articles of Association”	the articles of association of our Company, conditionally adopted on 9 June 2015 and as amended from time to time, a summary of which is contained in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Benywave Technology”	北京百納威爾科技有限公司 (Beijing Benywave Technology Co., Ltd.*), a wholly foreign-owned enterprise established in the PRC on 7 July 2004 and a wholly-owned subsidiary of Vital Profit
“Benywave Technology Group”	Benywave Technology and its subsidiaries or any of them
“Benywave Wireless”	北京百納威爾無線通信設備有限公司 (Beijing Benywave Wireless Communication Co., Ltd.*), a wholly foreign-owned enterprise established in the PRC on 22 July 2014 and the operating subsidiary of our Group
“Board” or “our Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	British Virgin Islands
“Capitalisation Issue”	the issue of 645,999,000 new Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of our Company upon completion of the Global Offering as referred to in the section headed “Further information about our Group — Resolutions of our Shareholders” in Appendix IV to this prospectus
“Cayman Legal Advisers”	Conyers Dill & Pearman, our legal advisers as to the laws of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant

DEFINITIONS

“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”, “the Company” or “our Company”	Vital Mobile Holdings Limited (維太移動控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 12 August 2014
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, and in the context of our Company, means Winmate, Ms. Rong, Mr. Ni and Rong Personal Trust Nominee
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Core Trust”	The Core Trust Company Limited, a trust company incorporated under the laws of Hong Kong and an Independent Third Party
“CSRC”	China Securities Regulatory Commission of the PRC (中國證券監督管理委員會)
“Deed of Indemnity”	the deed of indemnity dated 9 June 2015 given by the Founders and Winmate in favour of our Company
“Deed of Non-Competition”	the deed of non-competition and undertaking dated 9 June 2015 entered into by the Founders, Winmate, Benywave Technology and Tianyu in favour of our Company (for ourselves and for the benefit of our subsidiaries)
“Director(s)”	the director(s) of our Company
“EIT Law”	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), enacted by the NPC in March 2007 and effective on 1 January 2008, and its implementation rules

DEFINITIONS

“Eligible Employee(s)”	employee(s) (whether full time or part time), including any executive Director, its subsidiaries or any Invested Entity
“emerging markets”	for the purpose of this prospectus only, the markets of India, Bangladesh, Sri Lanka, Philippines, Thailand, Vietnam, Malaysia, Indonesia, Yemen, Pakistan, Dubai, Israel, Nepal, Brazil, Romania, Spain, Russia, Portugal, Turkey, Chile, Venezuela, Mexico, Honduras, South Africa, Morocco and other fast-growing developing countries
“EU”	the European Union
“Excluded Group”	Benywave Technology Group and Tianyu Group collectively
“Favor Gain”	Favor Gain Enterprises Limited, a company incorporated on 2 April 2008 under the laws of the BVI with limited liability, which is owned as to 96.9% by WPPE and 3.1% by WPX and holding 7% interests in the Company
“FIE”	foreign investment enterprise established in the PRC under the laws of the PRC
“Founders”	Ms. Rong and Mr. Ni
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
“Frost & Sullivan Report”	the industry report prepared by Frost & Sullivan issued in June 2015 on the mobile phone industry
“GEM”	the Growth Enterprise Market of the Stock Exchange
“Global Offering”	the Hong Kong Public Offering and the International Placing
“GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group” or “our Group” or “we” or “us”	our Company and its subsidiaries or any of them, or where the context so requires, including the Overseas Business carried on by Benywave Technology prior to the Split, as if such Overseas Business was operated by our Group throughout the relevant period
“Haitong International Capital” or “Sole Sponsor”	Haitong International Capital Limited, a licensed corporation to conduct Type 6 (advising on corporate finance) of the regulated activity for the purpose of SFO, being the sole sponsor to the Global Offering

DEFINITIONS

“Haitong International Securities” or Sole Global Coordinator, or “Sole Bookrunner” or “Sole Lead Manager” or “Stabilising Manager”	Haitong International Securities Company Limited, a licensed corporation to carry on Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities) regulated activities for the purpose of SFO, being the sole global coordinator, sole lead manager, sole bookrunner and the stabilising manager of the Global Offering
“HK eIPO White Form”	the application of Hong Kong Public Offer Shares for issue in the applicant’s own name by submitting applications online through the designated website at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by the Company, as specified on the designated website at www.hkeipo.hk
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKICPA”	The Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, our Hong Kong branch share registrar
“Hong Kong Legal Advisers”	Messrs. Li, Wong, Lam & W. I. Cheung, our legal advisers as to Hong Kong laws
“Hong Kong Public Offer Shares”	21,250,000 new Shares (subject to re-allocation) being initially offered by our Company for subscription in the Hong Kong Public Offering, as described under the section headed “Structure and conditions of the Global Offering” of this prospectus
“Hong Kong Public Offering”	the issue and offer of the Hong Kong Public Offer Shares for subscription in Hong Kong at the Offer Price (plus brokerage, Stock Exchange trading fee and SFC transaction levy) on and subject to the terms and conditions described in this prospectus and the Application Forms
“Hong Kong Underwriters”	the Underwriters of the Hong Kong Public Offering, whose names are set out under the subsection headed “Underwriting — Hong Kong Underwriters” in this prospectus

DEFINITIONS

“Hong Kong Underwriting Agreement”	the underwriting agreement dated 15 June 2015 and entered into by, among others, our Company, the Sole Global Coordinator and the Hong Kong Underwriters relating to the Hong Kong Public Offering
“IFRS”	International Financial Reporting Standards, as issued by the International Accounting Standards Board
“Independent Third Party(ies)”	individual(s) or company(ies) which is/are independent from and not connected with (within the meaning of the Listing Rules) any directors, chief executives and substantial shareholders of our Company or any of its subsidiaries and any of their respective associates
“International Placing”	the placing of the International Placing Shares at the final Offer Price to professional, institutional and other investors, as described under the section headed “Structure and conditions of the Global Offering” of this prospectus
“International Placing Shares”	the 182,750,000 New Shares and 8,500,000 Sale Shares initially offered by our Company and the Selling Shareholder for subscription and purchase under the International Placing, subject to re-allocation and the exercise of the Over-allotment Option, as described under the section headed “Structure and conditions of the Global Offering” of this prospectus
“International Sanctions”	sanctions-related laws and regulations issued by the U.S., the EU, the United Nations or Australia
“International Underwriters”	the Underwriters of the International Placing, who are expected to enter into the International Underwriting Agreement
“International Underwriting Agreement”	the underwriting agreement expected to be entered into on or around the Price Determination Date by, among others, our Company, the Selling Shareholder, the Sole Global Coordinator and the International Underwriters relating to the International Placing
“Invested Entity”	any entity in which the Group holds any equity interest
“ISO”	International Standard Organization
“Latest Practicable Date”	10 June 2015, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing of our Shares on the Stock Exchange
“Listing Committee”	the listing sub-committee of the Stock Exchange
“Listing Date”	the date on which dealings in our Shares first commence on the Main Board, which is expected to be on or about 26 June 2015

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“M&A Rules”	the PRC Rules on Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) issued by MOFCOM, along with SASAC, SAT, SAIC, CSRC and SAFE on 8 August 2006 and amended on 22 June 2009
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange, independent from and operated in parallel with the GEM
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company adopted on 12 August 2014, as amended from time to time, a summary of which is contained in Appendix III to this prospectus
“MOFCOM”	the PRC Ministry of Commerce (中華人民共和國商務部), or its predecessor, the Ministry of Foreign Trade and Economic Cooperation, as appropriate to the context
“Mr. Ni”	Mr. Ni Gang (倪剛), husband of Ms. Rong and one of our Controlling Shareholders
“Ms. Rong”	Ms. Rong Xiuli (榮秀麗), our chairperson and executive Director, and one of our Controlling Shareholders
“NDRC”	the PRC National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
“New Share(s)”	204,000,000 new Shares initially being offered by us for subscription under the Global Offering and up to 235,875,000 new Shares to be offered for subscription in the event the Over-allotment Option is exercised, each a “New Share”
“NPC”	The PRC National People’s Congress (中華人民共和國人民代表大會)
“OFAC”	the United States Department of Treasury’s Office of Foreign Assets Control
“Offer Price”	the offer price per Offer Share (exclusive of brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%) at which the Offer Shares are to be subscribed or purchased pursuant to the Global Offering
“Offer Shares”	the Hong Kong Public Offer Shares and the International Placing Shares

DEFINITIONS

“Option(s)”	option(s) to subscribe for Shares granted pursuant to the Share Option Scheme
“Option Grantee(s)”	participant(s) who accepted the offer of the grant of any Option in accordance with the terms of the Share Option Scheme, or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Option Grantee
“Option Offer”	the offer of the grant of an Option made in accordance with the Share Option Scheme
“Option Offer Date”	the date on which the Board makes an Option Offer to any Participant
“Over-allotment Option”	the option expected to be granted by our Company under the International Underwriting Agreement to the International Underwriters, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 31,875,000 additional new Shares at the Offer Price representing 15% of the initial number of Offer Shares offered under the Global Offering, at the Offer Price to, among other things, cover the over-allocations (if any) in the International Placing, as described in the section headed “Structure and conditions of the Global Offering” of this prospectus
“Overseas Business”	the business of developing, designing, production management and selling of mobile telecommunication devices on ODM basis and its related components and accessories, targeting global markets excluding the PRC
“overseas markets”	for the purpose of this prospectus, global market excluding China
“Participant(s)”	participants under the Share Option Scheme and as defined in the subsection headed “Statutory and General Information – Share Option Scheme” in Appendix IV to this prospectus and, for the purposes of the Share Option Scheme, the Option(s) may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC Business”	the business of developing, designing, production management and selling of mobile telecommunications equipment and consumer electronics under self-owned brands and its related components and accessories, targeting the PRC market
“PRC Company Law”	Company Law of the PRC* (《中華人民共和國公司法》) (as amended, supplemented or otherwise modified from time to time)
“PRC GAAP”	generally accepted accounting principles in the PRC
“PRC Government” or “Chinese Government” or “State”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof, or where the context require, any of them

DEFINITIONS

“PRC Legal Advisers”	Commerce & Finance Law Offices, our legal advisers as to the PRC laws
“PRC Premises”	Zone A, 4th Floor, No. 55, Jiachuang Second Road, Zhongguancun Science Park, OPTO-Merchatronics Industrial Park, Tongzhou District, Beijing, China, an office of our Group, which is leased from a connected person
“Pre-split Period”	period from 1 January 2012 (commencement of the Track Record Period) to 21 July 2014 (the date immediately prior to the Split)
“Price Determination Date”	the date, expected to be on or around 19 June 2015 but in any event not later than 23 June 2015, on which the Offer Price will be determined for the purposes of the Global Offering
“Regulation S”	Regulation S under the US Securities Act
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Reorganisation”	the pre-listing reorganisation of our Group, further details of which are described under the subsection headed “History, development and reorganisation — Reorganisation” in this prospectus
“Rong Family Members”	the spouse, children, parents and siblings of Ms. Rong
“Rong Personal Trust”	the revocable discretionary trust set up by Ms. Rong for herself, Rong Family Members and other designated persons as beneficiaries
“Rong Personal Trust Nominee”	the company, which is a wholly-owned subsidiary of the Rong Personal Trust Trustee, which will hold the Shares under Rong Personal Trust, and which as at the date of establishment of Rong Personal Trust, shall be Selected Elites Limited, a company incorporated under the laws of BVI and a wholly-owned subsidiary of Core Trust
“Rong Personal Trust Trustee”	the professional trustee appointed by Ms. Rong to manage Rong Personal Trust which as at the date of establishment of Rong Personal Trust, shall be Core Trust
“RSU(s)”	the restricted share unit(s) to be granted under the RSU Scheme
“RSU Scheme”	the restricted share unit scheme conditionally adopted by our Company, further details of which are described in the section headed “RSU Scheme” in Appendix IV to this prospectus
“RSU Scheme Nominee”	the company, which is a wholly-owned subsidiary of the RSU Scheme Trustee, which will hold the Shares underlying the RSU(s) in accordance with the RSU Scheme, which as at the date of adoption of RSU Scheme, shall be Wisdom Managements Worldwide Limited, a company incorporated under the laws of BVI and a wholly-owned subsidiary of Core Trust

DEFINITIONS

“RSU Scheme Trustee”	the professional trustee appointed by the Board to assist with the administration and vesting of RSU(s) under the RSU Scheme which, as at the date of adoption of RSU Scheme, shall be Core Trust
“SAFE”	State Administration of Foreign Exchange of the PRC* (中華人民共和國國家外匯管理局)
“SAFE Circular No. 37”	the PRC Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投資及返程投資外匯管理有關問題的通知》) promulgated by SAFE on 4 July 2014
“SAFE Circular No. 75”	the PRC Circular Regarding Foreign Exchange Control For Fundraising And Offshore-Domestic Investments By Domestic Residents Through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) promulgated by SAFE on 21 October 2005
“SAIC”	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“Sale Share(s)”	8,500,000 Shares to be offered for purchase by Favor Gain at the Offer Price under the International Placing, each a “Sale Share”
“Sanctioned Countries”	countries which are the targets of economic sanctions as administered by the U.S., the EU, the United Nations and Australia, such as Yemen and Venezuela
“Sanctioned Person(s)”	certain person(s) and entity(ies) listed on OFAC’s Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the EU, the United Nations or Australia
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會)
“SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Selling Shareholder”	Favor Gain, which offers the Sale Shares for purchase under the International Placing
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with par value of HK\$0.10 each in the share capital of our Company

DEFINITIONS

“Shareholder(s)”	holder(s) of our Share(s)
“Share Option Scheme”	the share option scheme conditionally adopted by our Company, further details of which are described in the section headed “Statutory and General Information” in Appendix IV to this prospectus
“Sino-Foreign Equity JV”	a sino-foreign equity joint venture enterprise established in the PRC under the laws of PRC
“Split”	the split by continued existence of Benywave Technology into two separate legal entities, namely Benywave Technology and Benywave Wireless, with the original Benywave Technology retaining the PRC Business and the new entity Benywave Wireless taking over the Overseas Business according to the Split Agreement
“Split Agreement”	the agreement dated 29 April 2014 entered into between Benywave Technology and Benywave Wireless pursuant to which, inter alia, (i) Benywave Technology shall be split into two separate legal entities; (ii) its assets and liabilities shall be split up as agreed, and (iii) the Overseas Business, including all the rights and obligations of Benywave Technology under the then existing contracts to which Benywave Technology is a party and which relates to the Overseas Business, shall be succeeded by Benywave Wireless under the laws of PRC
“State Council”	the State Council of the PRC
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between Winmate and the Sole Global Coordinator on or about the same date as the International Underwriting Agreement
“Stock Exchange” or “HKEx”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the price per Share at which an Option Grantee may subscribe for the Shares on the exercise of an Option
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers and Share Repurchases, as approved by the SFC and as amended, supplemented or otherwise modified from time to time
“Tianyu”	北京天宇朗通通信設備股份有限公司 (Beijing Tianyu Communication Equipment Co. Ltd.*) (formerly known as 北京市天宇朗通通信設備有限責任公司), a joint stock limited company established in the PRC on 16 April 2002 beneficially and wholly-owned by the Founders
“Tianyu Group”	Tianyu and its subsidiaries or any of them

DEFINITIONS

“Track Record Period”	the period comprising the three financial years of our Group ended 31 December 2014
“Trading Day(s)”	day(s) on which the Stock Exchange is open for the trading of securities
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “US” or “USA”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“USD”, “US dollars” or “US\$”	United States dollars, the lawful currency of the United States
“VAT”	value-added tax
“Vital BVI”	Vital Mobile Limited, a company incorporated on 27 June 2014 under the laws of the BVI with limited liability and holding 100% interests in Vital HK
“Vital HK”	Vital Mobile (HK) Limited, a company incorporated on 4 July 2014 under the laws of Hong Kong with limited liability and holding 100% interests in Benywave Wireless
“Vital Profit”	Vital Profit Technology Inc., a company incorporated on 21 December 2001 under the laws of the BVI with limited liability and holding 100% interests in Benywave Technology
“WFOE”	a wholly foreign-owned enterprise established in the PRC under the laws of PRC
“WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant’s own name
“Winmate”	Winmate Limited, a company incorporated on 2 April 2008 under the laws of the BVI with limited liability, which is owned as to 90% by Ms. Rong and 10% by Mr. Ni and is one of our Controlling Shareholders
“WP”	WPPE and WPX collectively
“WPPE”	Warburg Pincus Private Equity X, L.P., a private equity fund
“WPX”	Warburg Pincus X Partners, L.P., a private equity fund

GLOSSARY

This glossary contains certain definitions and technical terms in this prospectus which relate to our business and the industries and sectors that we operate in. As such, some terms and definitions may not correspond to standard industry definitions or usage of such terms.

“2G”	acronym for second generation of mobile communication standards, a digital mobile communications standard allowing for voice calls and limited data transmission, and for the purpose of this prospectus, it also includes 2.75G
“3C”	also referred to as CCC, acronym for China Compulsory Certification, the certification for commodity inspection and safety certification for electrical equipment
“3G”	acronym for third generation of mobile communication standards, a mobile communications standard providing mobile phones, computers, and other portable electronic devices with wireless access to the internet
“4G”	acronym for fourth generation of mobile communication standards, a mobile communications standard intended to replace 3G, allowing wireless internet access at a much higher speed
“ANATEL”	National Telecommunication Agency in Brazil who is authorised to issue regulations to be observed in the certification and approval processes of the telecommunications products
“ASEAN countries”	members of the Association of South East Asian Nations (ASEAN), including Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei, Cambodia, Laos, Myanmar and Vietnam
“BIS”	The Bureau of Indian Standards, which operates a product certification scheme by which it grants licences to manufacturers covering practically every industrial discipline, including electronic products
“CAGR”	compound annual growth rate
“CDMA”	acronym for Code Division Multiple Access, a continuous digital transmission technology that uses a coding system to mix discrete voice signals together during transmission and then separates the signals at the end of transmission
“CE”	a marking which indicates a product’s conformity with the mandatory requirements stipulated by the European Commission Directives relating to safety, health and environmental protection for products sold in the European market
“chipset(s)”	a combination of various integrated circuits (semiconductor devices or chips) that perform different functions within a handset, including baseband, radio frequency, power management, etc.

GLOSSARY

“EMS”	acronym for electronic manufacturing service
“EMS provider(s)”	manufacturer(s) or subcontractor(s) who offer EMS services, and for the purpose of this prospectus, it refers to such service providers who process and assemble products for our Group
“EVDO”	acronym for Evolution Data Optimized, a telecommunications standard for the wireless transmission of data through radio signals, typically for broadband internet access
“FCC”	acronym for the Federal Communications Commission, an independent U.S. government agency which regulates interstate and international communications by radio, television, wire, satellite and cable in all 50 states, the District of Columbia and the U.S. territories
“feature phone”	a mobile phone that incorporates features such as the ability to access the internet and store and play music but lacks the advanced functionality of a smartphone
“GSM”	acronym for Global System for Mobile Communications, a standard to describe protocols for second generation (2G) digital cellular networks used by mobile phones
“hardware”	mechanical devices, such as the central processing unit, monitor, modem, printers, disk drives that comprise a computer system and are capable of performing communication, computation and control functions
“IC”	acronym for integrated chip
“ICASA”	acronym for Independent Communications Authority of South Africa, the regulator for South African communications, broadcasting and postal services sector
“IMEI”	acronym for International Mobile Station Equipment Identity, a number which uniquely identifies an individual mobile station
“internet”	a specific global system of interconnected networks that use the standard protocol to link devices worldwide
“LCD”	liquid crystal display, a technology used for flat panel display, which is an electronic display device that operates by applying a varying electronic voltage to a layer of light-polarising liquid crystal trapped in cells between two transparent polarising sheets, thereby inducing changes in its optical properties
“LTE”	a 4G mobile communications standard, an acronym for Long-Term Evolution, is a standard for wireless communication of high-speed data for mobile phones and data terminals

GLOSSARY

“mAh”	milliampere-hour, a unit of electric charge
“NBTC” or “NTC”	acronym for National Broadcasting and Telecommunications Commission, successor of and formerly known as NTC, which is a single converged regulator for telecoms and broadcasting sectors of Thailand
“NCC”	acronym for National Communications Commission of Taiwan, which is the regulatory authority of telecommunications services and type approval
“ODM”	acronym for original design manufacturer, a business model that designs and manufactures a product which is specified and eventually branded by another company for sale
“OEM”	an original equipment manufacturer who manufactures products or components that are purchased by another company and retailed under that purchasing company’s brand name
“OGS”	One Glass Solution, a touchscreen technology which reduces the thickness of display
“OTA”	acronym for Over-the-Air, a technology that enables remote management of data and applications through air interface
“PCB”	acronym for printed circuit board, used to mechanically support and electrically connect electronic components using conductive pathways, tracks or signal traces etched from copper sheets laminated onto a non-conductive substrate
“R&D”	research and development
“roadmap”	a plan or strategy with specific technology solutions intended to achieve a particular goal
“RoHS”	acronym for restriction of hazardous substances directive, restricts the use of six hazardous materials in the manufacture of various types of electronic and electrical equipments
“SKD”	acronym for semi knock-down, hardware components including display modules, mobile handset motherboard PCBAs and mobile handset casings
“smartphone”	a mobile device which combines the function of a mobile handset and a conventional personal computer with functionality beyond making phone calls and sending text messages. It runs on an operating system which provides configuration options for the user to install and use various third-party applications (APPs)

GLOSSARY

“SMT”	acronym for surface-mount technology, a method for constructing electronic circuits in which the components are mounted directly onto the surface of printed circuit boards
“software”	computer program that instructs the operation of computer hardware
“TD-LTE”	acronym for Time-division Long-Term Evolution, a 4G telecommunications technology and standard
“TD-SCDMA”	acronym for Time Division Synchronous Code Division Multiple Access, an air interface found in UMTS mobile telecommunications networks in China as an alternative to WCDMA
“UL”	a global independent safety science company which provides safety-related certification, validation, testing, inspection, auditing, advising and training services
“UMTS”	acronym for Universal Mobile Telecommunications System, a 3G mobile cellular system for networks based on the GSM standard
“WCDMA”	acronym for Wideband CDMA, an air interface standard found in 3G mobile telecommunications networks

FORWARD-LOOKING STATEMENTS

This prospectus contains certain statements that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “expect”, “may”, “plan”, “consider”, “ought to”, “should”, “would”, “shall”, “will” and the negative of these terms and other similar expressions, as they relate to us. Those statements include, among other things, the discussion of our growth strategy and the expectations of our future operations, liquidity and capital resources, which reflect our management’s current view with respect to future events based on the beliefs of our management and assumptions made by and information currently available to our management, and are subject to certain risks, uncertainties and factors, including the risk factors described in the section headed “Risk Factors” of this prospectus. Potential investors of the Offer Shares are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. In light of these, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our Group’s plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in the section headed “Risk Factors” of this prospectus. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward-looking information.

RISK FACTORS

You should carefully consider all of the information set out in this prospectus, including the risks and uncertainties described below before making an investment in the Offer Shares. You should pay particular attention to the fact that we are incorporated in the Cayman Islands and that a substantial part of our Group's operations are conducted in the PRC and are governed by a legal and regulatory environment that differs from that prevailing in other countries. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We operate in the mobile handset industry characterized by rapid technological changes and any delay by us in rolling out new and competitive mobile handsets will reduce our revenue

The mobile handset industry is characterized by rapid technological developments, frequent new product introductions and ever-changing industry and regulatory standards. Future technological developments in the mobile handset and mobile telecommunication industries may reduce or inhibit the market acceptance of our existing and future mobile handsets.

Our success depends substantially on our ability to enhance our technologies and develop and introduce new handsets which anticipates changing market needs and technologies. We have incurred and will continue to incur significant costs in researching and developing new handsets and enhancements.

Although we have not experienced any substantial delays in rolling out new mobile handsets in the past, we cannot assure that delay in rolling out new mobile handsets will not happen in the future. If we fail to roll out new handsets or enhancements to existing handsets promptly, our revenue will drop.

Our competitors may from time to time launch new mobile handsets with innovative features which may replace or shorten our mobile handset life cycles and end-users may delay their decisions to buy our handsets. As a result, we will need to increase our investment in R&D of new handsets and enhancements but we may not have sufficient resources for such investment.

Even if we continue to develop new mobile handsets and enhancements, we cannot ensure their market acceptability as this depends on various factors and some of which may be beyond our anticipation or control.

We may be unable to respond to rapidly changing new trends and customers' preferences for mobile handsets in a cost and time efficient manner and our competitiveness will drop

We need to respond to changes in customers' preferences for mobile handsets and in turn the preferences of their end-users as well as their demand for features. The competitiveness of our handsets depends on our ability to introduce, on a cost and time efficient manner, new, innovative and appealing handsets, enhance existing handsets with added features and respond to new or anticipate future needs among end-users.

We need to identify and understand the key market trends and user segments and address the ever-changing needs in different user segments timely and proactively. In order to do so, we must obtain and evaluate feedbacks from end-users via our customers from time to time. If we are unable to collect or evaluate them and develop cost effective and appealing mobile handsets, we may not be able to attract new or retain existing customers and our competitiveness will drop.

RISK FACTORS

We rely on third party EMS providers to process and assemble all of our products to meet our orders

We do not have our own production plants and outsource all the processing and assembly work to six independent third party EMS providers during the Track Record Period. We rely on these EMS providers to process and assemble our mobile handsets. We provide our EMS providers with production instruction and software design packs to be readily and directly applied on the SMT lines, and utilise their equipment and human resources to assemble our mobile handsets according to our design and technical specifications. Moreover, although we maintain more than five years long-term relationship with certain well established EMS providers and entered into outsourcing agreements with them for two years, the agreements entered into are not exclusive in nature. For each of the three years ended 31 December 2014, the outsourcing fees to our largest EMS provider amounted to approximately RMB26.0 million, RMB28.1 million and RMB45.0 million, respectively, representing approximately 52.6%, 47.7% and 49.2% of our total outsourcing fees incurred. Hence, our manufacturing model poses a number of risks as we do not have full control over the processing and assembly of quality handsets at reasonable prices and meet our customers' demand, which, if we fail to do, would have a negative impact on our business, financial position, operation results, cash flows and prospects. These risks include:

- interruptions to the operations of our EMS providers due to strikes, lockouts, work stoppages or other forms of labour shortage or unrest, breakdown or failure of equipment, earthquakes, floods and other natural disasters as well as accidents and the need to comply with the directives of relevant governmental authorities, which may result in delay of completing our orders
- insufficient quality controls or failures in the quality controls of our EMS providers, which may result in damage to our customers' reputation and hence their drop in placing orders with us or product liability claims
- significant adverse changes in the financial or business conditions of our EMS providers, which may result in our failure to deliver our products on time
- performance by our EMS providers below expected levels of output or efficiency
- the possibility that our competitors will engage our EMS providers, directly or indirectly, and thereby reduce the manufacturing capacity available to us
- although we have entered into confidentiality and leakage prevention clauses with our EMS providers in our outsourcing agreements, we cannot guarantee no misappropriation or leakage of our intellectual property by our EMS providers

Also, if we fail to maintain good relationship with them, and if we fail to resort to other EMS providers at similar or more favourable terms within a short period of time, our profit may be adversely affected.

We have a limited operating history and track record under a new and standalone legal entity

We have only been operating as a separate legal entity since July 2014. Although the Overseas Business commenced in 2007 and the operations and management of the PRC Business and the Overseas Business have been delineated and separated by our management since 2010, it was not until July 2014 that Benywave Technology was split into two legal entities. With Benywave Technology assuming the PRC Business, the newly established Benywave Wireless assumed the Overseas Business and became the principal subsidiary of our Group.

RISK FACTORS

Although Benywave Wireless entered into separate agreements with the suppliers and EMS providers at the terms substantially similar to those of the previous agreements entered into with Benywave Technology after the Split for a term of one year and two years respectively, if we are not able to agree such similar terms with the suppliers and EMS providers in the future, our costs may be increased which would adversely affect our competitiveness in offering our products, and result in decrease in our sales and profit margin.

If we fail to maintain an effective quality control system, in particular quality checks on products processing and assembly by our EMS providers, our business may be adversely affected

One mobile handset is assembled with many components and parts, and malfunction of any of the components may result in breakdowns or malfunction of the mobile device. We also rely on EMS providers to process and assemble our products. If we fail to maintain an effective quality control system, we may fail to detect problematic components, parts or defective finished products. We may replace these components or instruct the EMS provider to reassemble the device, it may be costly and time consuming. It may then result in increased production costs, delays in delivery of products, delays in our collection of payment as well decrease in sales orders.

Further, if any malfunction of components or parts of mobile phones occurs or it is misused by end users, such as malfunction of batteries, such mobile devices may overheat and cause explosion or accidents. Although we require quality certificates from our battery suppliers, we cannot assure you that no malfunction would occur. If such accident or malfunction occurs, the end user may claim against our overseas customers who may in turn claim against us and/or reduce placing orders with us.

To the best information and knowledge of our Directors, we have not encountered any material product quality issues and there had been no material accident occurred for our products during the Track Record Period.

One of our major mobile chip suppliers may change its current fees charged on royalties from its existing and future licensees and sub-licensees in China upon the closure of an investigation case by NDRC for its violation of the Anti-Monopoly Law in China and may cause uncertainties on the Group's royalty fees in the future

During the Track Record Period, Benywave Technology has been a sub-licensee of one of our suppliers. Pursuant to a licensing agreement, we are required to pay royalty fees for certain mobile chipsets supplied by them, with reference to the quantity of mobile handsets sold which are equipped with certain model of components supplied by them. Benywave Wireless became a separate sub-licensee of the relevant supplier at similar terms of the relevant licensing agreement after the Split.

NDRC has lately issued an Administrative Sanction Decision in February 2015 stating that the relevant supplier has been charging royalty fees at an unfair rate by abusing its dominant position in the market which violated the Anti-Monopoly Law in China and imposed a fine of RMB6.088 billion. The relevant supplier has agreed to implement a rectification plan that modifies certain of its business practices in China which fully satisfies the requirements of the NDRC's order. Under the rectification plan, the relevant supplier will not sell the baseband chips to its customers conditional upon such customer signing a license agreement with terms that the NDRC found to be unreasonable or not challenging unreasonable terms in its license agreement. The relevant supplier continues to supply mobile chips to the Group but due to the above incident, we have not yet received invoices from the supplier for certain royalty expenses payable for the year ended 31 December 2014. Our total royalty expenses incurred amounted to approximately RMB5.1 million, RMB19.6 million and RMB43.2 million for each of the three years ended 31 December 2014 respectively. Out of these royalty expenses, approximately RMB5.1 million, RMB19.6 million and RMB30.0 million for each of the three years ended 31 December 2014 were based on actual invoices received from the relevant supplier. The relevant

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supplier assigns its independent auditors to carry out necessary audit review procedures on its licensees and sub-licensees including our Group to verify that the royalty fees paid and payable to it from time to time are sufficient. As at the Latest Practicable Date, our Directors were not aware of any disputes arising between our Group and the relevant supplier in relation to our royalty fees paid. The remaining royalties of approximately RMB13.2 million for the year ended 31 December 2014 was accrued with reference to historical royalties and other related expenses incurred and at rates indicated by the relevant supplier. Based on the above, our Directors consider that our Group had duly paid and/or provided for sufficient royalty fees during the Track Record Period. Notwithstanding the above, foreseeing the rectification plan that the relevant supplier is carrying out under the requirements of the NDRC, the Directors consider there may be changes to the royalty fees payable in relation to the use of mobile chips purchased from this supplier in the future.

Further, although our supplier assigns its independent auditors to carry out necessary audit review procedures on its licensees and sub-licensees including our Group to verify that the royalty fees paid and payable to the relevant supplier from time to time are sufficient and the Directors were not aware of any disputes arising between our Group and the relevant supplier in relation to our royalty fees paid as at the Latest Practicable Date, we cannot assure you that there would not be any disputes arising from royalty fees and other related expenses paid or payable by the Group to the relevant supplier in the future.

Also, in the event of any further increase in royalties chargeable on the raw materials we use for our products due to technology advancement, our cost of sales may be increased and our profit margin would be adversely affected.

We may face intellectual property infringement claims which could negatively impact our business

We may face intellectual property infringement claims or otherwise become aware of potentially relevant patents and other intellectual property rights held by other parties. In addition, if our customers face any intellectual property infringement claims in the future, they may still require us to indemnify them for products marketed under their brand names. If such claims are brought against our customers and regardless of whether our customers have merits, we would need to spend a significant amount of money defending these claims. As a result, we may need to bear significant legal costs and may need to pay for damages. We may also be subject to an injunction to refrain from using such intellectual property and all these could negatively impact our business as well as our reputation in the market. To the best information and knowledge of our Directors, we have not received any complaint from our customers alleging any potential claims relating to infringement of intellectual properties of third parties.

There may be sudden shortage in supply of certain raw materials and components which may lead to delay in fulfilment of orders or unavailability of mobile models developed

Display modules, camera modules and mobile chips (such as baseband processor ICs) are important components of our mobile handsets, in particular, smartphones. For each of the three years ended 31 December 2014, the total amount of purchases of display modules, camera modules and baseband processor ICs amounted to approximately RMB206.9 million, RMB599.7 million and RMB826.3 million respectively, representing approximately 37.2%, 47.3% and 49.1% of the total purchases of the corresponding periods respectively.

Some raw materials and components (such as mobile chips) are supplied mainly by a few suppliers worldwide. We generally purchase these raw materials directly from the manufacturers or from electronic component trading companies with whom we have long-term relationships. Although we check the availability of the raw materials or components when we provide quotes to our customers, there is a few months' gap between the timing of our quotation and the placing of orders for these components. If there is a sudden shortage or delay in supply of the relevant raw materials or components, it could delay the fulfilment of our

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orders. If the relevant raw materials or components are no longer available, we may fail to supply certain mobile models we have developed, and additional R&D resources may be needed to modify certain specifications of the mobile phones to the use of alternative raw materials or components of other brands. We may find it difficult, costly and time-consuming to find alternative supply of these materials and components, or to change handset design to use alternative raw materials and components. We cannot assure that we could source a sufficient quantity of high quality components used in our products at reasonable costs. Our supply of handsets to our customers will be disrupted and our customers may request for discounts and our profit will be reduced and reputation will be adversely affected. No material supply shortage has occurred during the Track Record Period that resulted in any losses or claims to our Group.

We rely completely on third party agencies for transportation of our handsets to our customers which results in various uncertainties and risks

We rely entirely on our third party agencies to deliver products who rely on a combination of land, sea and air transport. If these transportation means are being disrupted by strikes, weather, lock-outs or other events, it could interrupt our supply to our customers and could substantially impair our business operations. Although we have insurance policies covering losses incurred during transits of the products, we may need to bear the relevant risks according to the terms agreed with our customers, we may suffer losses if the insurance coverage is insufficient.

We rely on certain major customers and their ability to maintain or improve market shares in their respective markets

For each of the three years ended 31 December 2014, our top five customers accounted for approximately RMB457.2 million, RMB835.1 million and RMB1,171.4 million of our revenue respectively, which accounted for approximately 68.9%, 61.0% and 61.1% of our total revenue during the corresponding periods. We do not enter into long term contracts with our major customers due to the nature of our industry.

If any one or more of these top customers substantially reduce their orders with us or our product price decreases, there is no assurance that we will be able to make up for the reduction in business by securing orders of similar volumes or at all from other customers and our profitability may drop.

Our profitability highly correlates with our customers' business performance. If our customers fail to maintain their existing market share, our sales will decrease correspondingly. Also, we would need time to identify new customer to compensate for the drop in business. Therefore, any risks which could have negative impact on our major customers could in turn have negative impact on our business. These include seasonality of the mobile handset industry, failure of their handsets in gaining market acceptance and their inability to manage growth efficiently.

We recorded net cash outflow from operating activities for the year ended 31 December 2014

We recorded net cash outflow from operating activities of RMB170.1 million for the year ended 31 December 2014. Our net cash outflow from operating activities were primarily due to the i) increase in trade and other receivables of approximately RMB354.9 million as (a) we granted credit terms to an increasing number of customers to expand our customer base and to increase our competitiveness and (b) we granted approval to some of our customers for an extended credit period on a case-by-case basis at the request of our customers to cater for their needs at the specific time after taking into account of various factors including, among others, the length of relationship and historical credit record, ii) increase in inventories of RMB56.6 million as more raw materials were kept to meet the increasing demand of our products and iii) decrease in deposits received from customers of RMB39.1 million. Although over 90% of the relevant trade receivables were collected as at the Latest Practicable Date, we cannot assure that we will not record negative operating

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cash flows in the future. If we continue to record net operating cash outflows in the future, our working capital may be constrained which may materially and adversely affect our business, financial condition, results of operations and growth prospects.

Our profitability, cash flow and financial position may be adversely affected due to credit risks of our customers since more credit terms were granted

We may grant credit period to customers based on our management's assessment of various factors and aspects of the customer. During the Track Record Period, we have generally granted credit terms from 60 to 90 days to certain customers, in particular for those customers in markets where we would like to expand as a result of negotiation with our customers. Although we maintain credit insurance to cover 90% of the losses incurred for business risks, political risk, delay in payments, winding up of debtors, we may suffer losses which are not covered by our insurance and subject to specific insured amount approved by the insurance company for the relevant customers. Also, exceptional extension of payment or credit term may be granted upon application by our customers due to specific reasons, including depreciation of currency or temporary exchange control. We cannot assure that we will be able to fully recover receivables from our customers, or their settlement will be made on a timely basis. In the event that the settlement from our customers is not made in full or not on a timely basis, our profitability, cash flow and financial position will be adversely affected.

For details of the credit insurance we maintain, please refer to the subsection headed "Business — Insurance" in this prospectus.

We may be subject to higher enterprise income tax and this will reduce our profitability

Our principal subsidiary Benywave Wireless is a company split from Benywave Technology which engaged in both the PRC Business and the Overseas Business during the Pre-split Period. The statutory enterprise income tax rate under the PRC laws is 25%, whereas the relevant applicable tax rate for Benywave Technology is 15% as it has been recognised as a high technology enterprise. Given the PRC Business is less profitable than the Overseas Business and Benywave Technology recorded tax loss during the Pre-Split Period with reference to its financial statements and its tax filings made in accordance with the relevant PRC tax laws, Benywave Technology was hence not required to pay taxes during the Pre-split Period.

Notwithstanding the foregoing, given Benywave Wireless which assumes the Overseas Business recorded net profit before tax at approximately RMB42.1 million, RMB97.5 million and RMB193.7 million for each of the three years ended 31 December 2014 (based on its audited accounts prepared based on IFRS), an enterprise income tax rate of 15% has been provided for in the financial statements of Benywave Wireless during the Pre-split Period and 25% has been provided for in the financial statements of Benywave Wireless after the Split, and resulted in profit after tax in the amount of RMB35.8 million, RMB82.9 million and RMB156.2 million respectively.

After the Split, Benywave Wireless only engages in the Overseas Business and becomes the principal subsidiary of our Group and it will be subject to statutory enterprise income tax at a rate of 25% unless certain exemptions for high technology enterprises are granted which would lower the applicable tax rate to 15%. As a newly set up entity, Benywave Wireless can only apply to become a "New and High Technology Enterprise" after one year of operations and hence before obtaining such qualification, its applicable statutory enterprise income tax rate would be 25%. For the investors' reference, assuming Benywave Wireless was subject to 25% of statutory enterprise income tax for each of the three years ended 31 December 2014, its net profit after tax would amount to approximately RMB31.6 million, RMB73.1 million and RMB140.5 million during the relevant periods respectively.

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Our gross profit margin fluctuated during the Track Record Period and our gross profit margin may fluctuate in the future

We recorded gross profit margin of 12.0%, 10.8% and 13.6% for each of the three years ended 31 December 2014, respectively. The decrease in profit margin from 2012 to 2013 was primarily due to, including among others, the decrease in average selling price of our products due to market competition, and the smartphones we supplied for the year ended 31 December 2013 were of better functionality with more advanced technology as compared to those we supplied during the year ended 31 December 2012 and hence involved higher raw material costs. The increase in profit margin from 2013 to 2014 was primarily due to an increase in sales of 4G mobile handsets which had higher margin than those of 3G products in 2014. The changes in our gross margin may be subject to the introduction of new products, transition of technology, costs of the raw materials as well as competitiveness of the product when they reach their mature stage during the product life cycle. Hence, our profit margin may fluctuate from time to time.

Our mobile handsets are subject to quality and safety standards and failure to comply with these standards may adversely affect our business

Our mobile handsets are subject to quality and safety standards in various jurisdictions where our customers operate. In India, for instance, it is required under the local laws and regulations that the Specific Absorption Rate (SAR) of all mobile handsets in India shall be less than a certain prescribed percentage, failing which, the mobile handsets will not be permitted to be imported into India. Mobile handsets imported to the EU should meet the CE and RoHS standards. Our customers are responsible for the import custom clearance in their countries and they would notify us of the relevant standards and certifications needed. We supply products based on the standards required and obtain necessary certifications for our customers according to the applicable product quality standard at the prototyping stage prior to commencement of mass production.

In the event that there is any unanticipated change of standard after the commencement of mass production and we fail to offer our products complying with the new standards, we may incur significant costs in modifying the design and re-producing the finished good which will have material negative impact on our sales and profit. No failure to meet product quality standard incident has occurred during the Track Record Period.

We maintain inventories of raw materials and components of mobile handsets and our inventories may become obsolete

Our Group typically places orders for raw materials and components on an order-by-order basis though we keep certain amount of inventories and components, work-in-progress and finished products where we consider necessary as our sales volume increases. Our inventories may become obsolete due to rapid technological change in our industry and short mobile handsets' life cycle and our financial results could be adversely affected.

If there is corporate consolidation among our mobile handset carriers or customers, our business may be adversely affected

If our customers consolidate as a result of major acquisitions or mergers, their bargaining power may increase as a result of their increased size. We may face stronger pricing pressure accordingly. Also, if there are companies within the new group after consolidation which could take up our role of providing them with mobile handsets, our business will suffer. Although we have not encountered these types of situations in the past, we cannot assure you that this may not happen in the future and if so, our business may be adversely affected.

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Challenges or downturn in economic conditions or political and regulatory uncertainties of emerging markets may affect the demand for our products which could adversely affect our sales or growth

The major markets of our mobile handsets are concentrated in the emerging markets. During the Track Record Period, our total revenue attributable to the emerging markets accounted for approximately RMB602.4 million, RMB1,011.0 million and RMB827.0 million respectively, which represents approximately 90.8%, 73.9% and 43.2% of our total revenue in the corresponding periods respectively. These emerging markets are characterized with challenges or downturn in economic conditions as well as political and regulatory uncertainties and could seriously hinder our sales and growth.

Mobile handsets are consumer products, the demand for which is highly dependent on the economic conditions of our markets. If any of our major markets suffer from economic turmoils or depreciation of local currencies against US Dollars (in which most of our sales are denominated), the demand for our products would drop and our business would be adversely affected.

We also need to exercise extra caution when dealing with customers in countries under unstable political conditions. For example, in response to the anti-China protests and riots in Vietnam in May 2014, we had to assess the local political conditions closely and closely monitored the status of receipt of payment from customers in Vietnam. We have not encountered any loss due to such circumstances, but we cannot assure you that our business would not be adversely affected when encountering political instability in countries where our customers situate.

Due to our international business operations, we are subject to laws and regulations of the various countries or territories in which we conduct our business. The legal, political and business environments affecting our business are evolving, inconsistent across various jurisdictions and often lack clarity or predictability, which increases our compliance costs and legal risks. Subsequent legislation, regulation, litigation, court rulings or other events could expose us to increased costs, liability and risks of reputational damage. Further, uncertainty in the business and legal environment in foreign countries to which our business activities are related may affect our business and limit our ability to enforce our rights.

We do not have long-term purchase commitments from our customers, which may lead to significant uncertainty and volatility within our turnover

We neither have long-term purchase nor exclusive contracts with our customers as our customer would place order to buy a specific model for a certain quantity. If our competitors succeeded in marketing mobile handsets to them by, for example, offering more favourable terms or more appealing models, or our handsets turn out to be less popular than expected, we may lose our customers and may not be able to find another customer who will purchase similar quantity of handsets from us and thus our profit will drop.

We may be subject to possible product returns and product liability claims which may reduce our profitability

We only accept product returns if there is manufacture or design defect or the product specification deviates from our customers' specification. Our mobile handset may have quality issues or undetected defects or errors or a mismatch of customer with the actual specifications in particular when new models or versions are launched. These may be due to product design, software, components or manufacture. For products having issues other than manufacture or design defect, we provide on-site service to all our customers, but if we failed to rectify the issue on site, our customers may return the products to us. For products with manufacture or design defect or failing to meet customers' specifications, our customers may also return the products to us, where we may try to re-sell the products to other customers who accept such products specification at lower prices. We may encounter losses if we fail to fix the products with quality problem or mitigate our losses by re-selling the products.

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Further, if our mobile handsets fail to meet the required standard or are alleged to cause health hazards to end-users, our customers may need to recall their products. We may also be subject to product liability claims. If any product liability claims are brought against our customers and regardless of whether our customers have merits, we would need to spend a significant amount of money defending these claims. As a result, we may need to bear significant legal costs and pay substantial damages.

No product was recalled during the Track Record Period, and to the best information and knowledge of our Directors, we have not received any complaints or requests for product recalls during the Track Record Period. However, we cannot assure you that we may not face product recalls in the future.

Furthermore, we currently do not have insurance coverage to protect us from these claims in our market worldwide. Even if we have insurance coverage, we may still incur significant costs in excess of our available insurance coverage and product returns and liability claims could significantly reduce our profitability.

We may have difficulty in recruiting and retaining highly skilled technical personnel and senior management necessary to maintain the creativity of our research and development and this will reduce the market acceptability of our products

Our continued success depends greatly on the contribution of our highly skilled technical and senior management personnel, and it would take a long time and would be difficult to find replacement as their supply is scarce. We need to hire, assimilate, retain and leverage the skills of the qualified engineers and other highly skilled personnel to conduct research and development of our new handsets. We also need capable and experienced senior managers to develop our business globally and oversee human resources management internally at high level. We may not be as successful as our competitors in hiring, assimilating, retaining and utilizing these highly skilled personnel. If we are not able to recruit and retain highly skilled technical personnel with the required experience, our growth and competitiveness will be adversely affected.

We rely on our key management personnel and may not be able to attract and retain talented personnel

We have been operating our business with reliance on our key management personnel. Among our senior management, Ms. Rong, our chairperson, has been important to our business success and growth. Her education, experience, management skills and business insight has led our business through the years with notable success. Furthermore, our key management personnel, in particular our chief executive officer, Mr. Rong Shengli and our vice president in charge of R&D Mr. Pei Hongan, both of them have proven to be highly valuable in contributing to our success and continued growth. We cannot assure you that one or more of these key personnel may stay with us in the future and it could be time consuming and difficult to find their replacement. If we failed to attract, hire, assimilate and retain competent and experienced personnel, our business could be adversely affected.

We could be adversely affected as a result of our operations in certain countries that are subject to evolving economic sanctions of the U.S. government, the United Nations Security Council, the European Union and other relevant sanctions authorities

The U.S. and other jurisdictions or organizations, including the EU, the United Nations and Australia, have comprehensive or broad economic sanctions targeting the Sanctioned Countries, Russia (where certain Sanctioned Persons are located), and Sanctioned Persons. During the Track Record Period, we had product sales in certain of the Sanctioned Countries, namely, Yemen and Venezuela, and Russia (where certain Sanctioned Persons are located), and our revenue derived therefrom in aggregate accounted for approximately 2.2%, 9.8% and 7.8% respectively, of our revenue for each of three years ended 31 December 2014 respectively. We will continue to carry out such business activities in connection with such Sanctioned Countries and Russia (where certain Sanctioned Persons are located). For details of the business operations in

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the Sanctioned Countries and Russia (where certain Sanctioned Persons are located), please refer to “Business — Business activities in Sanctioned Countries”.

We undertake to the Stock Exchange that we will not use the proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Sanctioned Countries, Russia (where certain Sanctioned Persons are located), or Sanctioned Persons or any other government, individual or entity sanctioned by the U.S., the EU, the United Nations, Australia or Hong Kong, including, without limitation, any government, individual or entity that is the subject of any OFAC sanctions. We also undertake to the Stock Exchange that we will not enter into sanctionable transactions that would expose us or the relevant persons to risks of being sanctioned. If we breach any of these undertakings to the Stock Exchange after the Listing, it is possible that the Stock Exchange may delist our Shares. In order to ensure our compliance with these undertakings to the Stock Exchange, we will continuously monitor and evaluate our business and take measures to protect the interests of our Group and our Shareholders. For details of our internal control procedures, please refer to “Business — Business activities in Sanctioned Countries — Our undertakings and internal control procedures”.

As a Group with operations based in China, we will comply with all PRC laws and applicable laws in the jurisdictions where we have operations. We will also seek to prevent our transactions in relation to the Sanctioned Countries and Russia (where certain Sanctioned Persons are located) from being subject to sanctions under the laws of the U.S., the EU, the United Nations, Australia or Hong Kong, and avoid doing business with any Sanctioned Persons. However, to the extent such sanctions are imposed on our Company, our business and Shareholders’ interests could be affected.

We cannot predict the interpretation or implementation of government policy at the U.S. federal, state or local levels or any policy by the EU, the United Nations, Australia and other applicable jurisdictions with respect to any current or future activities by us or our affiliates in the Sanctioned Countries, Russia (where certain Sanctioned Persons are located) and/or with Sanctioned Persons. We have no present intention to undertake any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees, or our Shareholders or investors to violate or become a target of sanctions laws of the U.S., the EU, the United Nations, Australia or Hong Kong. However, we can provide no assurances that our future business will be free of risk under sanctions implemented in these jurisdictions or that our business will conform to the expectations and requirements of the U.S. authorities or the authorities of any other government that do not have jurisdiction over our business but nevertheless assert the right to impose sanctions on an extraterritorial basis. Our business and reputation could be adversely affected if the authorities of the U.S., the EU, the United Nations, Australia or any other jurisdictions were to determine that any of our activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of our Company. In addition, because many sanctions programs are evolving, new requirements or restrictions could come into effect which might increase scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions, or being sanctionable.

In addition, certain U.S. state and local governments and universities have restrictions on the investment of public funds or endowment funds, respectively, in companies that are members of corporate groups with activities in certain Sanctioned Countries. As a result, concern about potential legal or reputational risk associated with our historical and on-going operations in the Sanctioned Countries could also reduce the marketability of the Offer Shares to particular investors, which could affect the price of our Offer Shares and Shareholders’ interests in us, despite our commitment not to direct the proceeds from the Global Offering to dealings with sanctioned parties. Before investing in our Shares, you should consider if such investment would expose you to any of the International Sanctions law risk arising from your nationality or residency. Any of these events could have an adverse effect on the value of your investment in us.

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Our revenue is predominately in US dollar and fluctuation in the US dollar and RMB may expose us to foreign currency risk, while the fluctuations in the US dollar and foreign currency of our key markets may adversely affect our business

We face foreign currency risk as our principal revenue is denominated in US dollars and our expenditures mainly involve Renminbi. The value of Renminbi against the US dollar and other currencies fluctuates and is affected by, among other things, changes in PRC's and international policies and economic conditions. If there are any significant fluctuations in the exchange rate of the US dollar against the Renminbi in the future, our financial conditions and results may be adversely affected.

RISKS RELATING TO OUR INDUSTRY

We operate in a highly competitive mobile handset industry and we may not be able to effectively compete with other industry players

The mobile handset industry is highly competitive. We face intense competition especially when our suppliers launch new mobile chips and other components as the technology develops. Our competitors are mainly mobile handset design houses in China and if they can relatively allocate more resources to R&D than us, we may not be able to respond adequately and timely to cater for technological developments and customer requirements. In addition, we compete in various product lines in terms of price, product quality, customer design especially the thickness of the handsets, sales and technical support. If we lose our competitiveness in any of these aspects, our business will be adversely affected.

We also face strong price competition. If our competitors are relatively more sizable and have more resources to maintain their pricing relatively lower to attract new end-users and to increase their market share, we could be under pressure to reduce our price and our profitability will drop.

Our future growth depends partly on the continued growth of the mobile handset industry in emerging market and if this market growth becomes stagnant, our business will not further penetrate into existing and new markets

We sell our mobile handsets to our customers mainly in the emerging markets. Currently, the growth of market share of mobile handsets in the emerging markets remains relatively high, compared to that in developed countries. However, if this growth rate reduces or even becomes stagnant, we could not continue to infiltrate into these markets and increase our market share.

We are highly dependent on the mobile handset market, which is characterized by short product life cycles, fluctuations in demand and seasonality, any of which could adversely impact our business or financial results

Our financial performance greatly depends on the growth of the mobile handset market which has been historically characterized by rapid technological changes, evolving industry standards, changing customer needs and all these have shortened the product life cycles. New technology and customer needs may render our existing handsets less competitive or even obsolete. The average product life cycle for the products we offered during the Track Record Period was approximately 7.8 months. We cannot assure you that we will be able to anticipate and respond to future market demand in a timely manner. We are also subject to risks related to new handset and application launches, delay in new handset development and roll out.

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In addition, our handsets are designed and manufactured to conform to the industry standard to enhance interoperability. Therefore, our handsets are highly dependent on the evolving industry standard which we have no control and may not be able to anticipate. For example, our customers follow industry guidelines in the specifications and in turn we also follow such standard. We have no control on such standard and the demand for such products can change so quickly that we may not anticipate. The functionality of our handsets also depends on third party communications infrastructure and networks over which we have no control. Any limitations on the capacity or availability of such infrastructure would limit our customers' handset functionality and in turn reduce the demand for our handsets.

If the long-term growth of the mobile handset market does not occur as we expect, our business cannot continue to grow and our revenue and operation results may drop.

RISKS RELATING TO THE PRC

Political and economic policies of the PRC government could affect our Group's business

Before its adoption of the economic reforms and open policy in late 1970s, the PRC had been primarily a planned economy. With the commencement of the PRC government's effort to reform the Chinese economy in 1978, the PRC government introduced changes to its economic system, as well as the government structure. These reforms have led to significant economic growth and progress in social development. Although the PRC government still owns a significant portion of the productive assets in China, economic reform policies have placed much emphasis on creating autonomous enterprises and the utilization of market mechanisms. Factors that may cause the PRC government to modify, delay or even discontinue the implementation of certain reform measures include political changes and political instability and such economic factors as changes in rates of national and regional economic growth, unemployment and inflation.

Our Directors anticipate that the PRC government will continue to further implement these reforms, further reduce government interference on enterprises, and rely more on free market mechanisms for the allocation of resources, bring positive effect on our overall and long-term development. Any changes in the political climate, economic and social situation, the laws, regulations and policies of the PRC arising therefrom, may have an adverse effect on the present or future operations of our Group. With our business and operations substantially based in the PRC, our operations and financial results could be adversely affected by the restrictive or austere policies introduced by the PRC government. We may not be able to capitalise on economic reform measures adopted by the PRC government. We cannot assure you that the PRC government will not impose economic and regulatory controls that may adversely affect our Group's business, financial position and results of operations.

Introduction of new laws or changes to existing laws by the PRC government may adversely affect our business

Our business and operations in the PRC are governed by the legal system of the PRC. The legal system in the PRC is based on statutory law. Under this system, prior court decisions may be cited for references but do not have binding precedential effect. Accordingly, the outcome of dispute resolution may not be consistent or predictable as in other common law jurisdictions.

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Interpretation and enforcement of the PRC laws and regulations, including those regulating the mobile handset industry and foreign investments may be subject to changes in policies and political environment. Different regulatory authorities may have different interpretation and enforcement of the mobile handset industry policies and foreign investment policies, which requires companies to meet the policies requirements issued by relevant regulatory authorities from time to time, and obtain approvals and complete filings in accordance with the relevant regulatory authorities' interpretation and enforcement of such policies. If there are any future changes in applicable laws, regulations, administrative interpretations or regulatory documents, or stricter enforcement policies by the relevant PRC regulatory authorities, more stringent requirements could be imposed on the industries we are currently engaged in. Compliance with such new requirements could impose substantial additional costs or otherwise have a material adverse effect on our business, financial condition and results of operations. In addition, if we fail to meet such new rules and requirements relating to approval, construction, environmental or safety compliance of our operations, we may be ordered by the relevant PRC regulatory authorities to change, suspend construction of or closure of the relevant production facilities. Alternatively, these changes may also relax some requirements, which could be beneficial to our competitors or could lower market entry barriers and increase competition. As a result, our business, financial condition and results of operations could be materially and adversely affected. In addition, since the PRC economy is developing at a faster pace than its legal system and the PRC laws and regulations regarding the mobile handset industry and foreign investments are relatively new and evolving, there may be uncertainties as to whether and how existing laws and regulations will apply to certain circumstances or events, and until the development of the legal system is kept abreast of economic reforms and development in the PRC, such uncertainties are likely to remain. We cannot assure you that introduction of new laws and amendments to existing laws by the PRC government may not adversely affect our profitability and prospects. For details of some of the relevant PRC laws and regulations to which our Group is currently subject, please refer to the subsection headed "Regulations — Regulatory overview" in this prospectus.

Government control on currency conversion and changes in the exchange rate between RMB and other currencies could negatively affect our financial condition, operations and our ability to pay dividends

RMB is not currently a freely convertible currency and our Group needs to convert RMB into foreign currency for payment of dividends, if any, to Shareholders. Our PRC subsidiaries are subject to the PRC rules and regulations on currency conversion. In the PRC, SAFE regulates the conversion of RMB into foreign currencies. Foreign invested enterprises ("FIEs") are required to apply to SAFE or its local branches for Foreign Exchange Registration Certificates.

Under relevant PRC foreign exchange laws and regulations, payment of current account items, including profit distributions and interest payment are permitted to be made in foreign currencies without prior government approval but are subject to certain procedural requirements. Strict foreign exchange control continues to apply to capital account transactions, which must be approved by and/or registered with SAFE. We cannot assure you that the PRC regulatory authorities will not impose further restrictions on foreign exchange transactions for current-account items, including payment of dividends.

Furthermore, in 2005, China revalued the exchange rate of the RMB to the US dollars and abolished the RMB to peg solely to the US dollars as applied in the past. Instead, it is pegged against a basket of currencies which can rise or drop by as much as 0.3% each day. We cannot assure you that in the future China will not revalue RMB or permit its substantial appreciation. Any increase in the value of RMB may adversely affect the growth of the PRC economy and competitiveness of various industries in the PRC, including the industries in which our Group operates, which could in turn affect the financial condition and operations of our Group.

Currently, substantially all of our revenue, expenses and bank loans are denominated in Renminbi, however we cannot guarantee that our financial portfolio will be free from any foreign currencies denominated securities or investments in the future.

RISK FACTORS

The global financial crisis in 2008 has adversely affected the United States, the European countries and other world economies. Although there are signs of recovery in the global and Chinese economy, there can be no assurance that any such recovery is sustainable. The ongoing uncertainties in the global investment environment may cause fluctuations in exchange rates which may in turn adversely affect the value of our net assets, earnings or any declared dividends. Also, any unfavourable movement in the exchange rate or the value of US dollars may lead to an unfavourable exposure to foreign exchange losses, which could in turn materially and adversely affect our financial condition and results of operations.

Distribution and transfer of funds may be subject to restrictions under the PRC law

Our Company is a holding company incorporated in the Cayman Islands and does not have any business operations other than investments in the subsidiaries. Our Company relies entirely on the dividend payments from our subsidiaries.

Under the PRC laws, dividends from our subsidiary in the PRC may only be paid out of distributable after-tax profit, less any recovery of accumulated losses and allocations to statutory funds which are not available for distribution as cash dividends. Any distributable profit that are not distributed in a given year will be retained and made available for distribution in subsequent years. The calculation of distributable profit under PRC accounting principles is different in many respects from Hong Kong accounting principles.

Distributions by our subsidiaries in the PRC to our Company may be subject to governmental approval and taxation. These requirements and restrictions may affect our ability to pay dividends to our Shareholders. Any transfer of funds from our Company to our subsidiaries in the PRC, either as a shareholder loan or as an increase in registered capital, is subject to registration and/or approval granted by PRC governmental authorities. These limitations on the free flow of funds between our Company to subsidiaries in the PRC could restrict our ability to act in response to changing market conditions in a timely manner. Furthermore, members of our Group may obtain credit facilities from banks in the future which restrict them from paying dividends to their Shareholders, which may have an adverse impact on their ability to pay dividends to their Shareholders.

PRC tax law may affect tax exemptions on dividends received by our Company and Shareholders and increase our enterprise income tax rate

Our Company is incorporated under the laws of the Cayman Islands and holds interests in our PRC subsidiaries through a number of subsidiaries incorporated in BVI and Hong Kong. The PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) and its implementation rules were enacted on 16 March 2007 and 6 December 2007 respectively, and both of which have become effective as at 1 January 2008. If our Company is deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC, a withholding tax at the rate of 10% will be applicable to any dividends paid to our Company, unless our Company is entitled to reduction or elimination of such tax, including by tax treaties. Under the Arrangement between the Mainland and HKSAR for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於所得稅避免雙重徵稅和防止偷漏稅的安排》), such dividend withholding tax rate is reduced to 5% if a Hong Kong tax resident enterprise owns over 25% of equity interests in the PRC company distributing the dividends. Pursuant to the Administrative Measures for Non-Residents Enjoying Tax Treaty Benefits (Trial Implementation) (《非居民享受稅收協定待遇管理辦法(試行)》) released by the State Administration of Taxation on 24 August 2009 and took effect on 1 October 2009, Vital HK needs to obtain approval from the State Administration of Taxation in order to enjoy the preferential withholding tax rate of 5% in accordance with the above double taxation arrangement. Any new enactment of PRC tax law affecting tax exemptions on dividends may reduce the amount of dividends that could be distributed to our Company and Shareholders.

RISK FACTORS

In addition, the PRC Enterprise Income Tax Law provides that, if an enterprise incorporated outside the PRC has its “de facto management organisation” located within the PRC, such enterprise may be recognised as a PRC tax resident enterprise and thus may be subject to statutory enterprise income tax at the rate of 25% on its worldwide income. Substantially all members of our management are located in the PRC, we may be deemed as a PRC tax resident enterprise and therefore subject to a statutory enterprise income tax rate of 25% on our worldwide income, excluding the dividends received directly from another PRC tax resident. As a result of these changes described above, our historical operating results will not be indicative of our operating results for future periods and the value of the Shares will be adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

The interests of our Controlling Shareholders may differ from those of our other Shareholders

Immediately following the Global Offering, our Controlling Shareholders will be deemed to be interested in 66.88% of our outstanding Shares on a fully diluted basis, or approximately 58.2% if the Sole Global Coordinator (on behalf of the International Underwriters) exercises the Over-allotment Option in full. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. If the interests of our Controlling Shareholders conflict with the interests of our other Shareholders, or if our Controlling Shareholders choose to cause us to pursue strategic objectives that conflict with the interests of our other Shareholders, those Shareholders may be disadvantaged by the actions that our Controlling Shareholders choose to cause us to pursue.

Our Controlling Shareholders may have significant influence in determining the outcome of any corporate transaction or other matter submitted to the Shareholders for approval, including mergers, consolidations and the sale of all, or substantially all, of our assets, election of directors, and other significant corporate actions. Our Controlling Shareholders has/have no obligation to consider our interests or the interests of our other Shareholders.

Relating to the business of the Excluded Group, the Founders, Winmate, Benywave Technology and Tianyu have entered into Deed of Non-Competition for our protection.

There has not been any prior public market for the Shares and an active trading market may not develop

An active trading market for the Shares may not develop and the trading price of the Shares may fluctuate significantly. Prior to the Global Offering, there has been no public market for the Shares. The Offer Price range has been determined through negotiation between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the final Offer Price may not be indicative of the price at which the Shares will be traded following the completion of the Global Offering. In addition, there is no assurance that an active trading market for the Shares will develop, or, if it does develop, that it will be sustained following completion of the Global Offering, or that the trading price of the Shares will not decline below the Offer Price.

The trading volume and share price of the Shares may fluctuate

The trading price of the Shares may also be subject to significant volatility in response to, among others, the following factors:

- variations in our operating results
- changes in the analysis and recommendations of securities analysts
- announcements made by us or our competitors

RISK FACTORS

- changes in investors' perception of our Group and the investment environment generally
- developments in the mobile handset industry
- changes in pricing made by us or our competitors
- the liquidity of the market for the Shares
- general economic and other factors

The price and trading volume of the Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flow, announcements of new technologies, strategic alliances or acquisitions, industrial or environmental accidents suffered by us, loss of key personnel, changes in ratings by financial analysts and credit rating agencies, litigation or fluctuations in the market prices for the merchandise sold could cause large and sudden changes in the volume and price at which the Shares will trade. In addition, the Stock Exchange and other securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of the Shares.

Future sales of substantial amounts of the Shares in the public market may adversely affect the prevailing market price of the Shares

Except for the Shares issued in the Global Offering, our Company has agreed with the Sole Global Coordinator not to issue any of the Shares or securities convertible into or exchangeable for the Shares during the period beginning from the date of this prospectus and continuing through the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, except with the prior written consent of the Sole Global Coordinator. Further, the Shares held by our Controlling Shareholders are subject to certain lock-up undertakings for periods commencing on the date of this prospectus and up to 12 months after the Listing Date. The Sole Global Coordinator may, in its discretion, waive or terminate these restrictions. Please refer to the subsection headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering" in this prospectus for a more detailed discussion of restrictions that may apply to future sales of the Shares. After these restrictions lapse, the market price of the Shares may decline as a result of sales of substantial amounts of the Shares or other securities relating to the Shares in the public market, the issuance of the new Shares or other securities relating to the Shares, or the perception that such sales or issuances may occur. This may also materially and adversely affect our ability to raise capital in the future at a time and at a price we deem appropriate.

You may experience immediate dilution and may experience further dilution if we issue additional Shares in the future

The issue price of our Shares in this Global Offering is substantially higher than the adjusted book value per Share of our outstanding Shares. Therefore, purchasers of the Offer Shares will experience immediate and substantial dilution and the existing shareholders of our Company will experience a material increase in the adjusted book value per Share of our Shares they own.

In addition, we may consider offering and issuing additional Shares in the future for expansion of our business or to the extent that our Shares are issued upon the exercise of Options. In this regard, you may experience further dilution in the net tangible asset book value per Share if we issue additional Shares in the future at a price which is lower than the net tangible book value per Share.

RISK FACTORS

There can be no guarantee as to the accuracy of facts and other statistics contained in this prospectus with respect to the economies and the industry in which we operate

Certain facts and other statistics in this prospectus are derived from various sources including various official government publications and communications with various official government agencies. Whilst our Directors and the Sole Sponsor have exercised reasonable care to ensure that such facts and statistics presented are accurately reproduced from their respective sources, the quality or reliability of such source materials cannot be guaranteed and have not been prepared or independently verified by us, the Sole Sponsor, the Underwriters or any of their respective directors, affiliates or advisers. Therefore we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the official government statistics and unofficial statistics referred to or contained in this prospectus may be inaccurate or may not be comparable to statistics produced for other publications or purposes and should not be relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such facts or statistics.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

- the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive;
- there are no other matters the omission of which would make any statement herein or in this prospectus misleading; and
- all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on basis and assumptions that are fair and reasonable.

INFORMATION AND REPRESENTATION

We have not authorised anyone to provide any information or to make any representation not contained in this prospectus. You should not rely on any information or representation not contained in this prospectus as having been authorised by us, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Sole Sponsor, the Underwriters or any of our or their respective directors, officers or representatives or any other person involved in this Global Offering. No representation is made that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications in relation to subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attaching to them). It is emphasized that none of us, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Sole Sponsor, any of the Underwriters, any of their respective directors, agents, advisers, employees, personnel or any other persons or parties involved in the Placing accepts responsibility for any tax affairs or liabilities of any person resulting from the subscription for, purchase, holding or disposing of, dealing in our Shares, or the exercise of any rights attaching to our Shares.

OTHER INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Issuer	Vital Mobile Holdings Limited
The Global Offering	The Global Offering of (i) initially 21,250,000 New Shares for subscription by the public in Hong Kong (assuming that the Over-allotment Option is not exercised) and (ii) initially 182,750,000 New Shares and 8,500,000 Sale Shares for subscription or sale (subject to re-allocation and the Over-allotment Option) under the International Placing. If the Over-allotment Option is exercised, our Company will be issuing up to 235,875,000 New Shares.
Selling Shareholder	Favor Gain
Offer price range	Not more than HK\$3.06 and not less than HK\$2.22 per Share

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Share borrowing arrangements in connection with settlement	The Stabilising Manager or any person acting for it may borrow from Winmate up to 31,875,000 Shares equivalent to the maximum number of Share to be issued on a full exercise of the Over-allotment Option.
Over-allotment Option	Up to 31,875,000 additional new Shares to be issued by our Company.
Procedure for application for Hong Kong Public Offer Shares	Please refer to the section headed “How to Apply for the Hong Kong Public Offer Shares” of this prospectus and on the relevant Application Forms.
Conditions of the Hong Kong Public Offering	Details of the conditions of the Hong Kong Public Offering are set out in the paragraph headed “Conditions of the Global Offering” under the section headed “Structure and conditions of the Global Offering” of this prospectus.
Lock-up undertakings by our Company and the Controlling Shareholders	Please refer to the subsections headed “Underwriting — Undertakings to the Stock Exchange under the Listing Rules” and “Underwriting — Undertakings pursuant to the Hong Kong Underwriting Agreement” of this prospectus.
Stamp duty	<p>Dealings in the Shares registered on our Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.</p> <p>Transfers of the Shares registered on our principal register of members in the Cayman Islands will not be subject to the Cayman Islands stamp duty unless our Company holds an interest in land in the Cayman Islands.</p>
Application for listing on the Stock Exchange	Application has been made to the Listing Committee for the granting of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option), the Capitalisation Issue and any Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme. No part of the Share or the loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Restrictions on offers and offers for sale

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstance in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

Eligibility for CCASS

Subject to the granting of the listing of, and permission to deal in, our Shares on the Stock Exchange and compliance of the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day (as defined in the Listing Rules) after any Trading Day. You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Language

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, government authorities, institutions, natural persons or other entities included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

WAIVERS FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES

In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, which normally means that at least two of the applicant's executive directors must be ordinarily resident in Hong Kong.

The core operations of the Group are conducted in the PRC and all of our Company's executive Directors are based in the PRC. Our Company considers that it would be practically difficult and commercially unnecessary to either relocate our executive Directors who are based in the PRC to Hong Kong or to appoint an additional executive Director who is ordinarily resident in Hong Kong. Our Company further considers that the Group's management is best able to attend to its functions by being based in the PRC and remains close to our operations. Accordingly, our Company does not, and for the foreseeable future will not, have a sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements set out in Rule 8.12 of the Listing Rules and the following arrangements have been made for maintaining regular and effective communication with the Stock Exchange.

(i) Authorized representatives

Our Company has appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as the Company's principal channel of communication with the Stock Exchange and ensure that our Company complies with the Listing Rules at all times.

The two authorized representatives are Ms. Rong and Mr. Hon Kwok Ping Lawrence ("Mr. Hon"), Ms. Rong is our chairperson and executive Director. Mr. Hon is our independent non-executive Director.

Ms. Rong ordinarily resides in the PRC. Mr. Hon ordinarily resides in Hong Kong. They can be readily contactable by phone, facsimile and/or email to deal promptly with enquiries from the Stock Exchange.

Both authorized representatives are authorized to communicate on behalf of our Company with the Stock Exchange. In addition, all of our Directors who are not ordinarily resident in Hong Kong possess or will be able to apply for valid travel documents for traveling to Hong Kong and will be able to meet with the relevant members of the Stock Exchange with a reasonable period, when required.

(ii) Compliance Adviser and other professional advisors

Our Company will, in compliance with Rule 3A.19 of the Listing Rules, retain the services of Haitong International Capital to act as our compliance adviser (the "**Compliance Adviser**") who will, among other things, act as our Company's additional channel of communication with the Stock Exchange in addition to the Company's authorized representatives, for a period commencing on the Listing Date until the date on which we distribute our annual report for the first full financial year following the Listing. The contact person of the Compliance Adviser will be fully available to respond to enquiries from the Stock Exchange.

WAIVERS FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES

Furthermore, we will also appoint other professional advisors (including legal advisors and accountants) after the Listing to assist us in dealing with any questions which may be raised by the Stock Exchange and to ensure that there will be sufficient communication with the Stock Exchange.

(iii) Contact with other Directors

Both authorized representatives have means of contacting the other Directors promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters. To enhance communication among the Stock Exchange, the authorized representatives and our Directors, our Company has implemented a policy whereby (a) each Director shall provide his/her mobile phone number, office phone number, facsimile number and email address to the authorized representatives and to the Stock Exchange; and (b) in the event that a Director expects to travel and be out of office, he/she will have to provide the phone number of the place of his accommodation to the authorized representatives.

In addition, each of our Company, the authorized representatives and our Directors undertakes to inform the Stock Exchange promptly if there are any changes to their contact details.

(iv) Meetings with the Stock Exchange

Meetings between the Stock Exchange and our Directors can be arranged through our Company's authorized representatives or the Compliance Adviser, or directly with our Directors within reasonable period. Our Company will inform the Stock Exchange promptly in respect of any change in our Company's authorized representatives and Compliance Adviser.

(v) Principal place of business

We maintain a principal place of business in Hong Kong.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Rong Xiuli (榮秀麗) (<i>Chairperson</i>)	Room 201, Unit Jia Tower No. 54 Ying Hai Zhuang Yuan No. 37, One Liangshuihe Street Yizhuang Economic and Technological Development Area Daxing District, Beijing, PRC	Chinese
Rong Shengli (榮勝利)	Room 102, Unit Yi Tower No. 54 Ying Hai Zhuang Yuan No. 37, One Liangshuihe Street Yizhuang Economic and Technological Development Area Daxing District, Beijing, PRC	Chinese
<i>Non-executive Director</i>		
Tang Shun Lam (鄧順林)	Flat A, 24/F, Block 1 Cavendish Heights 33 Perkins Road Wanchai, Hong Kong	British
<i>Independent non-executive Directors</i>		
Hon Kwok Ping, Lawrence (韓國平)	1A, Block 4 Yar Chee Villas Chi Fu Road Pokfulam Hong Kong	Chinese
Lam Yiu Kin (林耀堅)	House B, Louisette No. 20 Stanley Beach Road Stanley Hong Kong	Chinese
Tsang Yat Kiang (曾溢江)	Flat B, 2/F No. 3-3A La Salle Road Kowloon Tong Kowloon, Hong Kong	Chinese

For detailed information of our Directors, please refer to the section headed “Directors, Senior Management and Employees” of this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED

Sole Sponsor

Haitong International Capital Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

International Underwriters

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

RHB OSK Securities HK Limited
12/F World-wide House
19 Des Voeux Road Central
Hong Kong

Convoy Investment Services Limited
Unit C, 24/F, @CONVOY
169 Electric Road
North Point
Hong Kong

Astrum Capital Management Limited
11/F, 122 QRC
122–126 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Hong Kong Underwriters

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

RHB OSK Securities HK Limited
12/F World-wide House
19 Des Voeux Road Central
Hong Kong

Convoy Investment Services Limited
Unit C, 24/F, @CONVOY
169 Electric Road
North Point
Hong Kong

Bright Smart Securities International (H.K.) Limited
10/F, Wing On House
71 Des Voeux Road Central
Hong Kong

Astrum Capital Management Limited
11/F, 122 QRC
122–126 Queen's Road Central
Hong Kong

Legal advisers to the Company

As to Hong Kong law
Li, Wong, Lam & W. I. Cheung
22nd Floor, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

As to PRC law
Commerce & Finance Law Offices
6th Floor, NCI Tower
A12 Jianguomenwai Avenue
Chaoyang District
Beijing, 100022
The PRC

As to Cayman Islands law
Conyers Dill & Pearman
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

As to Indian law
Saikrishna & Associates
Advocates
A-2E, CMA Tower
Second Floor
Sector – 24, Noida–201301
NCR, India

As to U.S. law
Nixon Peabody LLP
437 Madison Avenue
New York, NY 10022-7039
212-940-3000

As to International Sanctions law
DLA Piper
17th Floor, Edinburgh Tower
The Landmark, 15 Queen's Road Central
Hong Kong

**Legal advisers to the Sole Sponsor and
the Underwriters**

As to Hong Kong law
Deacons
5th Floor
Alexandra House
18 Chater Road
Central
Hong Kong

As to PRC law
Jingtian & Gongcheng
34/F, Tower 3, China Central Place
77 Jianguo Road, Chaoyang District
Beijing
the PRC

Auditor and reporting accountants

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F., One Pacific Place
88 Queensway
Hong Kong

Property valuer

DTZ Debenham Tie Leung Limited
16th Floor
Jardine House
Central
Hong Kong

Receiving bank

Standard Chartered Bank (Hong Kong) Limited
15/F, Standard Chartered Tower
388 Kwun Tong Road
Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Principal place of business and operating head office in China	4th Floor, No.55 Jiachuang Second Road Zhongguancun Science Park OPTO-Merchatronics Industrial Park Tongzhou District Beijing China
Place of business in Hong Kong	Suite 16B, 16/F W Square 314-324 Hennessy Road Wanchai, Hong Kong
Company's website	www.vital-mobile.com (<i>information contained in this website does not form part of this prospectus</i>)
Company secretary	Chui Man Lung, Everett (<i>HKICPA, ACCA</i>) Room 1220, 12/F Leighton Centre 77 Leighton Road Causeway Bay Hong Kong
Authorised representatives	Rong Xiuli Room 201, Unit Jia Tower No. 54 Ying Hai Zhuang Yuan No. 37, One Liangshuihe Street Yizhuang Economic and Technological Development Area Daxing District, Beijing, PRC Hon Kwok Ping, Lawrence 1A, Block 4 Yar Chee Villas Chi Fu Road Pokfulam Hong Kong
Audit committee	Lam Yiu Kin (<i>Chairman</i>) Tsang Yat Kiang Hon Kwok Ping, Lawrence

CORPORATE INFORMATION

Remuneration committee	Tsang Yat Kiang (<i>Chairman</i>) Hon Kwok Ping, Lawrence Lam Yiu Kin Rong Xiuli
Nomination committee	Tsang Yat Kiang (<i>Chairman</i>) Hon Kwok Ping, Lawrence Lam Yiu Kin Rong Xiuli
Risk management committee	Hon Kwok Ping, Lawrence (<i>Chairman</i>) Rong Xiuli Rong Shengli
Compliance adviser	Haitong International Capital Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Principal share registrar	Codan Trust Company (Cayman) Limited Cricket Square, Hutchins Drive PO Box 2681, Grand Cayman KY1-1111 Cayman Islands
Hong Kong Branch Share Registrar	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	Shanghai Commercial Bank 35/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong China Everbright Bank No.25 Taipingqiao Ave Everbright Center Xicheng District, Beijing PRC

INDUSTRY OVERVIEW

This section contains information and statistics related to the mobile handsets industry in certain overseas market in general. We commissioned Frost & Sullivan, an independent market research firm, as an industry consultant to prepare the industry report (the “Frost & Sullivan Report”). We have exercised reasonable care in selecting and reproducing such information. We have derived such information and statistics partly from publicly available government and other third-party sources and the Frost & Sullivan Report, which have not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager, any of the Underwriters, any of our or their respective directors, officers, representatives or affiliates, or any other party involved in the Global Offering and no representation is given as to its accuracy. We believe that the sources of information is appropriate and have no reason to believe that such information is false or misleading or that any fact has been knowingly omitted that would render such information false or misleading.

SOURCE OF INFORMATION

Frost & Sullivan

We commissioned Frost & Sullivan to conduct analysis of global and PRC smartphone ODM markets and other economic data and to prepare the Frost & Sullivan Report. We have agreed to pay a fee of approximately RMB840,000 for the Frost & Sullivan Report, which will be paid prior to the Listing. Our Directors are of the view that the payment of the fee does not affect the fairness of conclusions drawn in the Frost & Sullivan Report. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York. It offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage includes automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom.

Frost & Sullivan Report

The Frost & Sullivan Report includes information on Global and China smartphone ODM market data. Frost & Sullivan has conducted detailed primary research which involved discussing the status of the industry with certain leading industry participants. Frost & Sullivan has also conducted secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan has obtained the figures for the estimated total market size from historical data analysis plotted against macroeconomic data as well as considered the above-mentioned industry key drivers. Several assumptions were adopted in compiling and preparing the report: (a) China social, economic and political environment is likely to remain stable in the forecast period; and (b) related industry key drivers are likely to drive the market in the forecast period.

OVERVIEW OF GLOBAL MOBILE CELLULAR PHONE MARKET

As a result of the mobile technology innovation, the number of mobile cellular subscriptions, including both voice and data, has experienced a stable growth during 2010 to 2014. The global mobile cellular subscription increased to 6,938.4 million in 2014 from 5,290.1 million in 2010, with a CAGR of 7.0%. As a result of the improvement of mobile network coverage in developing countries and the upgrade of wireless transmission network to 3G/4G, the mobile-cellular subscription is anticipated to continue its steady growth and to achieve a CAGR of 4.3% from 2014 to 2019.

INDUSTRY OVERVIEW

OVERVIEW OF GLOBAL SMARTPHONE MARKET

The number of global smartphone user grew at a CAGR of 42.1% during the period from 2010 to 2014. The growth will stabilise at a CAGR of 12.0% during the period from 2014 to 2019. The number of smartphone user is expected to reach 3,094.4 million in 2019.

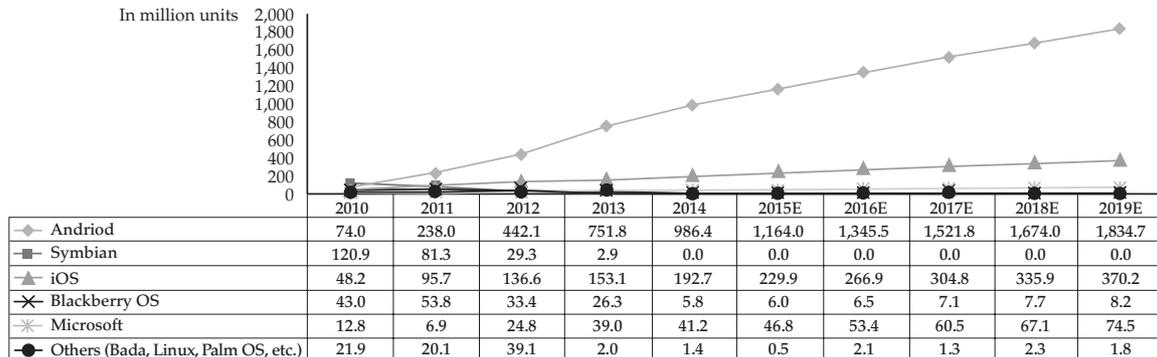
The total value of the global smartphone market grew at a CAGR of 34.8% during the period from 2010 to 2014 and reached USD357.3 billion in 2014. It is expected to grow at a CAGR of 6.6% during the period from 2014 to 2019 and reach USD491.6 billion in 2019.

The total shipment of smartphones grew from 320.9 million units in 2010 to 1,227.5 million units in 2014, representing a CAGR of 39.9%. The total shipment of smartphone worldwide is forecast to reach 2,289.4 million units in 2019, representing a CAGR of 13.3% during the period from 2014 to 2019.

Global Trend of Smartphone Operating System

The smartphone operating system market has changed significantly in the past five years. Symbian and Blackberry OS has declined significantly. The operating system is largely dominated by Android system and the iOS system. Over the forecast period from 2015 to 2019 as set out in the chart below, Android is projected to extend its lead by a significant proportion and will maintain as the most adopted operating system in smartphone.

Smartphone Shipment by Operating System (Global), 2010–2019E



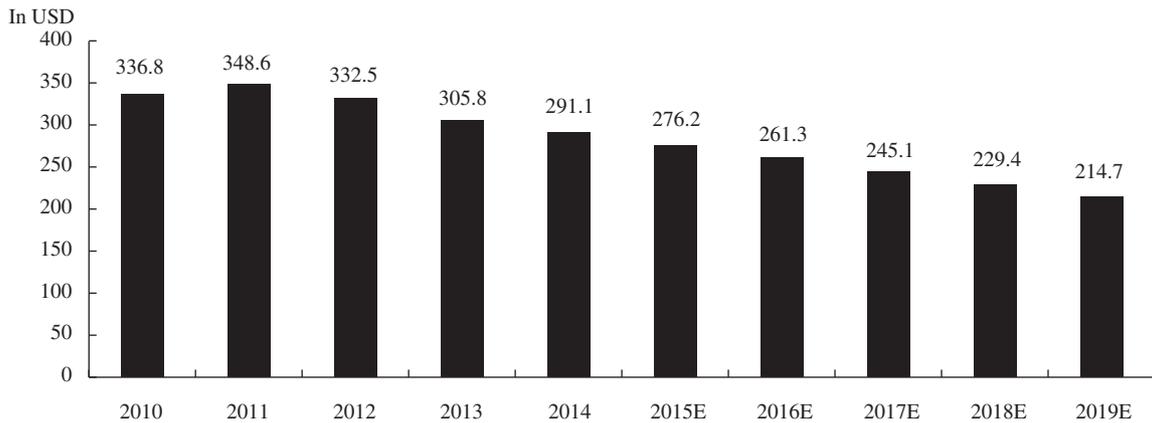
Source: Frost & Sullivan

Global Trend of Smartphone Average Selling Price (ASP)

The worldwide smartphone average selling price (ASP) remained relatively stable during the period from 2010 to 2012. The ASP gradually declined from USD348.6 in 2011 to USD291.1 in 2014. Such decline was largely driven by competition from new vendors entering the market and increasing popularity among mobile users. Regional smartphone vendors have been dedicated to develop low-cost smartphones to generate brand awareness among customers and capture the market share against international brands. The competition among the regional/local brands and the international brands is expected to continue and the worldwide smartphone ASP is expected to continue trending downward during 2015 to 2019.

INDUSTRY OVERVIEW

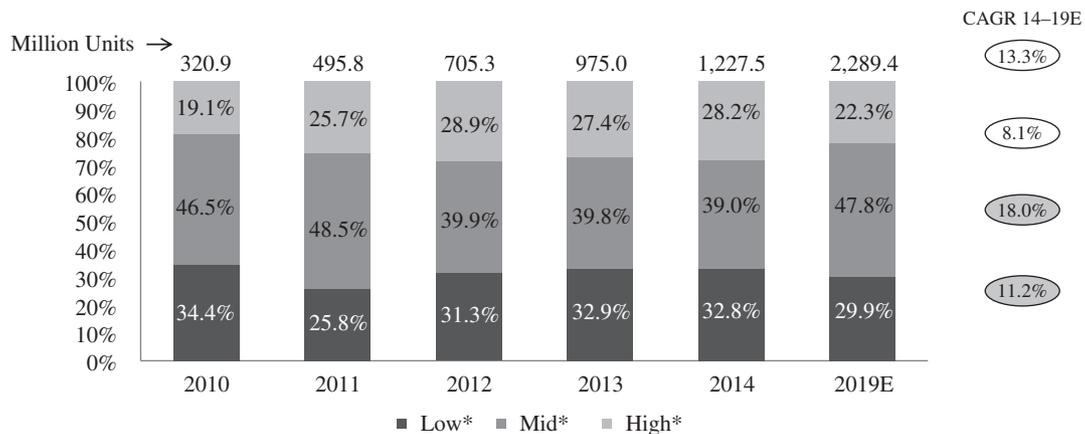
Smartphone Average Selling Price (Global), 2010–2019E



Source: Frost & Sullivan

Global smartphone market has been dominated by high end smartphone markets since 2010. Mid end smartphone market started soaring since Samsung launched series of mid end smartphones in 2011, followed with various players entering affordable smart device market. Strong demand for affordable and international quality smartphones globally would definitely drive the fast growth of mid and low end market in the coming years. Growth of high end market would be slower comparing to the other two markets.

Smartphone Shipment by Product Ends (Global), 2010–2019E



* High end: retail price above 550 USD; Mid end: retail price above 150 USD less than 550 USD; Low end: retail price below 150 USD

Local brand smartphone led the growth of global smartphone market from 2010 to 2014 with 64.3% CAGR. Total local brand smartphone shipment excluding global and China leading brands (including those companies which have already entered international markets) is forecasted to reach 588.6 million units in 2019 with 20.7% CAGR from 2014. Global market share of local brands increased from 4.5% in 2011 to 18.7% in 2014 and is expected to increase to 25.7% in 2019. With the emergence of China smartphone vendors in international markets, growing competition are foreseeable in regional markets for local brand owners especially in developing countries. ODM providers who are well experienced in competing with China smartphone vendors would be a good choice for local brand selecting partners under the industry trend of outsourcing the ODM process.

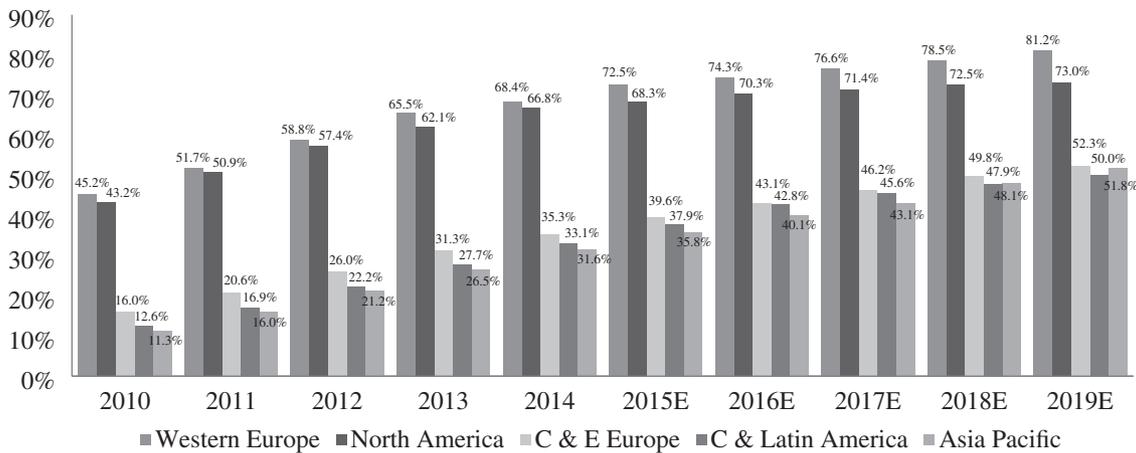
INDUSTRY OVERVIEW

Global Smartphone penetration rate

The smartphone penetration rate worldwide had grown significantly since 2010. More than half of the mobile phone users in Western Europe and North America were using smartphones in 2011. Future growth in these markets will be driven by migration to LTE devices from 2G & 3G devices. It is forecasted that the penetration rate in the mature markets will reach over 70% in 2019.

The smartphone penetration rate in the emerging markets including Central & East Europe (“C & E Europe”), Central & Latin America (“C & Latin America”) and Asia Pacific although had grown significantly from approximately 11% – 16% in 2010 to approximately 31% – 36% in 2014. It is forecasted to increase further to approximately 51% – 53% in 2019 driven largely by improving telecommunication infrastructure and the increase in affordability of smartphones as a result of improved economic conditions in these emerging markets and lower smartphone ASP.

Smartphone Penetration Rate (Regional Market), 2010–2019E



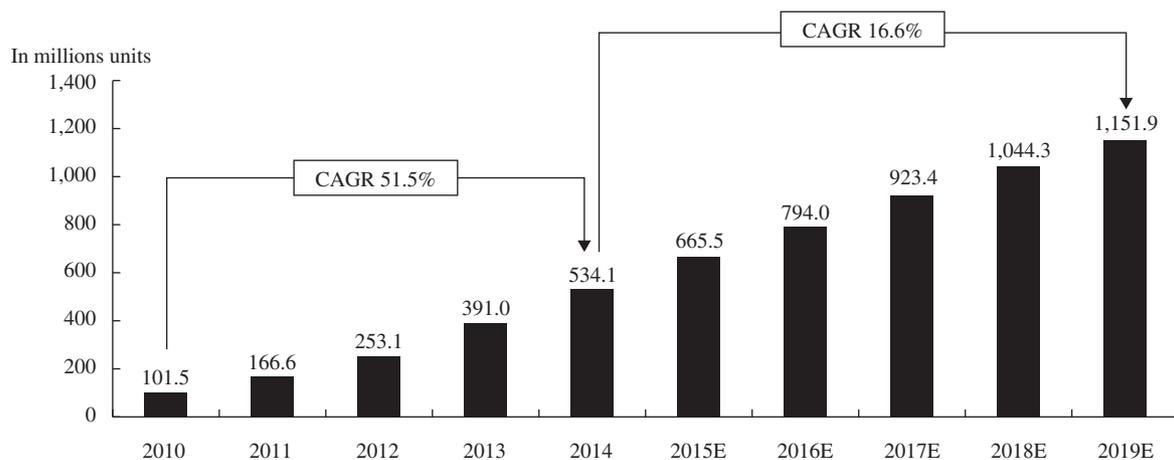
Source: Frost & Sullivan

INDUSTRY OVERVIEW

OVERVIEW OF SMARTPHONE MARKET IN EMERGING MARKETS (EX-CHINA)

Emerging market (Ex-China) smartphone shipment grew significantly from 2010 to 2014 with a CAGR of 51.5%. The penetration rate is expected to increase in these markets for two key reasons (1) the network infrastructure now under construction will become fully operational in the coming years (2) according to the research conducted by Frost & Sullivan, the consumers' intention to buy a new smartphone in the next two years will increase because of the increase in affordability of smartphone. It is expected that the shipment of smartphone will grow at a CAGR of 16.6% during the period from 2014 to 2019. It is forecasted that in 2019, the shipment of smartphone to these regions will reach 1,151.9 million units, representing approximately 50.3% of global smartphone shipment in the same year.

Smartphone Shipment (Emerging Market excl. China), 2010-2019E



Source: Frost & Sullivan

ORIGINAL DESIGN MANUFACTURER (ODM)

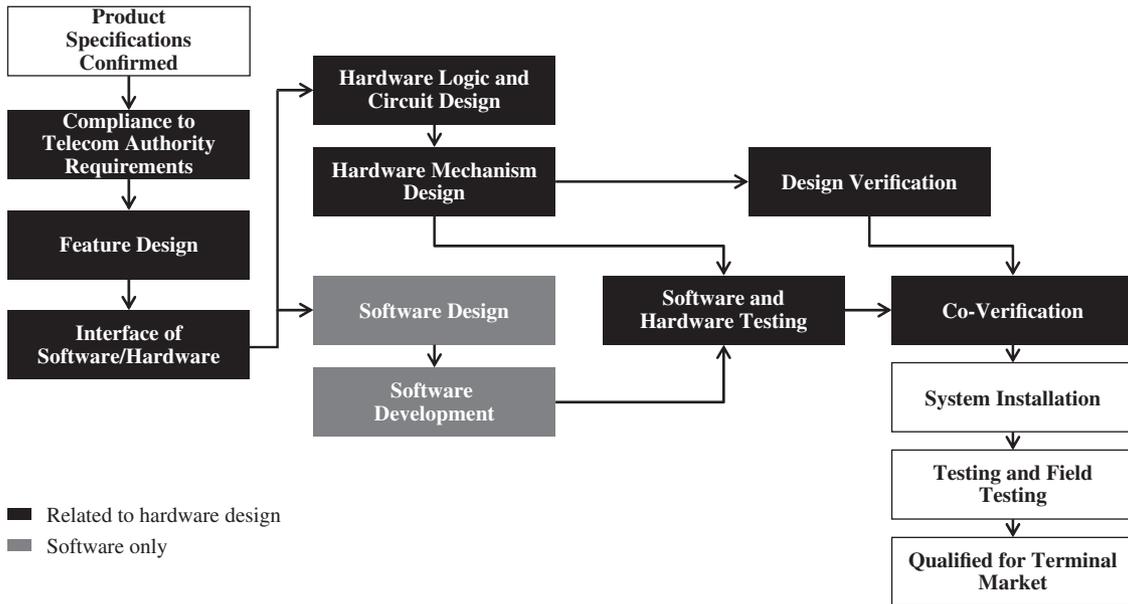
Global Smartphone ODM Market Overview

A smartphone is a mobile phone with internet access abilities running independent operating system and installed intelligent software (APPs). A smartphone is usually more advanced in computing capability and connectivity than basic feature phones.

By focusing on product R&D and technology innovation in smartphone development process, ODM is embedded with higher value added services as compared to EMS. ODM focuses more on hardware design, particularly on i) logic and circuitry design; and ii) mechanism design, which are considered the two core activities of ODM providers. In contrast, EMS providers focus more on labor-intensive assembly process with little or no design and other technological capabilities. Some EMS have grown in size in recent years and are now capable of handling designs and development of smartphone for multiple clients.

INDUSTRY OVERVIEW

Smartphone ODM Process

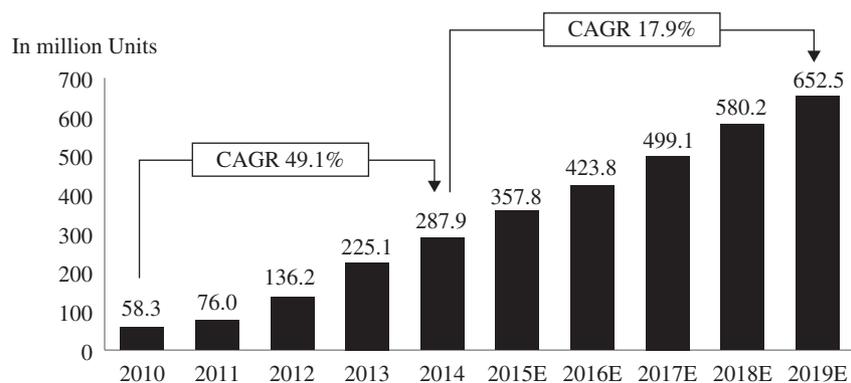


Source: Frost & Sullivan

Global ODM Smartphone Trend

In recent years, increasing number of smartphone brand owners and new entrants are turning to ODM for cost reduction and efficiency in product development in both mature and emerging markets. After a stable development in 2010 and 2011, smartphone ODMs has been gaining market share of total smartphone shipment from 2011 onward. It is expected in 2019, total number of shipment of smartphone manufactured on ODM basis will represents approximately 28.5% of the global smartphone shipment, a significant increase from 18.2% in 2010.

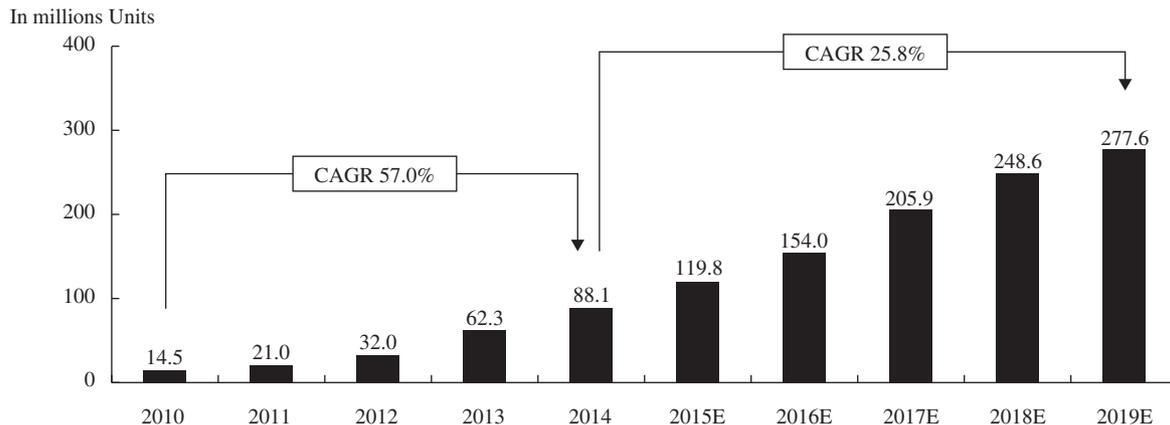
Shipment of ODM Smartphones (Global), 2010–2019E



Source: Frost & Sullivan

INDUSTRY OVERVIEW

Shipment of ODM Smartphone (Emerging Market Excluding China), 2010–2019E



Emerging market ODM smartphone shipment has increased to 88.1 million units in 2014 from 14.5 million units in 2010 representing a CAGR of 57.0% benefiting from the continuous demand from central and east Europe. Future growth would be strongly driven by the strong demand from India, Brazil and ASEAN countries. CAGR from 2014 to 2019 is predicted to reach 25.8% which lead the market to 277.6 million units in 2019.

Regional ODM Smartphone Trend

India smartphone ODM market is believed to be the fastest growing market. It grew at a CAGR of 99.7% from 2010 to 2014 and is expected to grow at a CAGR of 55.0% from 2014 to 2019. ODM smartphone shipment in India is expected to reach 33% market share of total regional smartphone market in 2019 from less than 10% in 2009. Thailand is a matured regional smartphone market comparing with other ASEAN countries. Its smartphone penetration rate reached 49% in 2013 and it is expected to reach 77% by 2019. ODM smartphone shipment in Thailand is expected to increase to over 23% market share of total regional smartphone market in 2019 from around 8% in 2009. Taiwan market is more receptive to ODM products than many other countries in the region. The legacy in ODM PCs in the past is believe to be the foundation of its fast growing ODM smartphone market in recent years. Taiwan smartphone ODM market grew at a CAGR of 49.5% from 2010 to 2014 and it is expected to grow at a CAGR of 5.0% from 2014 to 2019. ODM smartphone shipment in Taiwan is expected to reach around 18% market share of total regional smartphone market in 2019 from around 13% in 2010. Philippines smartphone ODM market leads the ASEAN market with CAGR at 148.8% from 2010 to 2014 and is expected to grow at a CAGR of 50.7% from 2014 to 2019. ODM smartphone shipment in Philippines is expected to account for 22% of the total regional smartphone market in 2019 from less than 1% in 2009. As one of most important economy in South America, Brazil ODM smartphone market grew at a CAGR of 136.0% from 2010 to 2014 reaching 12.4 million units. It is expected that the total shipment of ODM smartphone in Brazil will reach 54.9 million in 2019, representing a CAGR of 34.7% from 2014 to 2019.

Local Branded Mobile Phone Suppliers in Our Key Markets

Karbons is the third largest homegrown smartphone vendor in India. In 2014, Karbons ranked the fourth in India's smartphone market with a market share of 8%, trailing foreign vendor Samsung and two other homegrown vendor Micromax and Lava. Considering the relatively low standard of living in India, competitively priced smartphones will certainly attract increasing number of smartphone users.

Fly Mobiles is a European mobile phone company operating in Russia, Ukraine, India and UK. In 2014 it ranked first in terms of market share in Russia market.

INDUSTRY OVERVIEW

Archos, the French consumer electronics company founded in 1988 listed in NYSE Euronext, launched their first smartphone in 2013 with the help of ODM, fast grasped 5% market share, ranked the third largest homegrown smartphone brand after Alcatel and Wiko in 2014.

Cherry Mobile, the largest homegrown smartphone vender in Philippines with 23% market share in 2014 ranked the first in Philippines market, has won market through selling value-for-money mobile phone. Cherry Mobile has revolutionized Philippines mobile technology with the help of ODM. With only four models launched in 2009, Cherry is providing more than 100 handsets, making it the leading Dual SIM brand in the country.

True Group is the third largest telecommunication operator in Thailand with premium 3G and LTE service. True-branded smartphones have a 3% market share, being the second largest homegrown smartphone vender in Thailand providing 3G and LTE enabled products at affordable price. Future growth of True is predictable for their smartphones in-depth integrated with their outstanding connectivity service.

BLU Products, founded in 2009, took about 1% market share of the entire Latin American smartphone market in 2014 and ranked as the third largest local smartphone vendors. With nearly 8 million mobile devices sold in 2013 covering 40 countries, BLU is believed to be one of the fastest-growing mobile phone providers in the world.

CCE, an importer and distributor in Brazil market founded in 1964, was acquired by Lenovo in 2012. CCE started consumption electronic products business since 2006 partnering with Intel, Microsoft and Qualcomm on PC business. CCE took about 1% market share of Brazilian smartphone market and became the largest homegrown smartphone vendors following global vendors Samsung, Motorola, LG, Nokia and Apple.

Key growth drivers for smartphone ODM industry

According to Frost & Sullivan report, key drivers from both demand and supply side will fully support the sustainable growth of smartphone ODM industry. Global ODM smartphone market is forecast to grow at a CAGR of 17.8% over the period 2014 to 2019. Global smartphone shipment is expected to reach 2.3 billion units in 2019. ODM smartphone shipment is expected to reach 652.5 million units in the same year, representing approximately 28.5% of the global shipment.

Continuous growing demand of smartphone and the increasing adoption of ODM generate drivers from demand side for smartphone ODM industry. Smartphone manufacturers are turning to ODM for lower fixed cost and more efficient products design and development. Besides, new entrants in smartphone market are also embracing ODM initiatively to open up regional market. Meanwhile, full development in both value chain and supply chain contribute to the drivers from supply side. Well established global logistics help shorten the lead time which dramatically benefits ODM's profitability.

Key entry barriers for new smartphone ODMs

Smartphone ODM requires high design technology capability especially in hardware design, circuitry design and integration of software and hardware. Besides, fast reaction to technological innovation from upper stream is strongly required in ODM industry, which places certain barrier for new market entrants with limited experience in research and development. Also, smartphone ODM involves an entire process from procurement to delivery. With shorter lead time required by customers, supply chain integration can also be an entry barrier. In addition, key customers for smartphone ODM, including mobile phone companies, telecom operators and channel distributors, are usually cautious on vendor selection. It may take around two years for an ODM to become a qualified vendor. Long-term and stable relationship that has been established between the existing ODM and its customers may create certain difficulty for late comers.

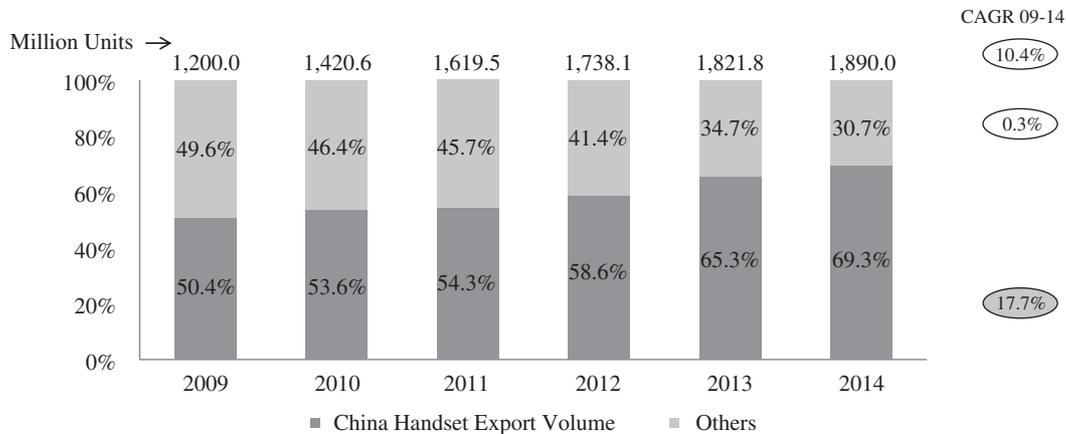
INDUSTRY OVERVIEW

CHINA SMARTPHONE ODM COMPETITIVE LANDSCAPE

China Smartphone ODM Market Overview

Global mobile handset shipment recorded a double-digit growth from 2009 to 2014 and reached 1,890.0 million units in 2014. As one of the major consumption market of global handsets, China has also been responsible for a large proportion of the handset production, representing approximately 69.3% of the global handset production in 2014. The Group's export volume accounted for 2.5% of total smartphone export volume of the PRC in 2014. The export volume from China increased from 604.8 million units in 2009 to 1,309.8 million units in 2014, representing a CAGR of 16.7%. The advancement in technological capabilities has transformed China from a production base to a regional hub that also provides a high value-added manufacturing services, i.e. product design, research and development.

China Handset Export Volume over Global Handset Shipment



Source: Frost & Sullivan

Despite high growth rate of domestic consumption for smartphones, the intensive price competition in domestic market drives China smartphone vendors to diversify to other fast growing overseas markets, especially emerging market, for attractive margin. In 2014, approximately 81.9% of the smartphone export volume from China was attributable to smartphone brand owners and OEM suppliers. The remaining 18.1% was attributable to exports by smartphone suppliers on ODM basis. Meanwhile, a number of China's ODM providers are also exploring overseas opportunities with outstanding industry experience to help local kings to win regional market and exploring the same business model as the Group.

As the Group provides smartphone ODM service only, its market position is compared with other key players in the smartphone ODM industry in the PRC at the table below.

INDUSTRY OVERVIEW

China Smartphone ODM Export Ranking

No.	Company Name	Export Volume	market share	Export Volume	market share
		2014 <i>(Million units)</i>	2014 <i>(Note)</i>	2013 <i>(Million units)</i>	2013 <i>(Note)</i>
1	Competitor A	6.5	4.3%	5.6	4.6%
2	Competitor B	4.4	2.9%	3.3	2.8%
3	Competitor C	4.2	2.8%	2.9	2.4%
4	The Group	3.8	2.5%	2.2	1.8%
5	Competitor D	3.1	2.0%	2.7	2.2%
6	Competitor E	2.1	1.4%	1.6	1.4%
7	Competitor F	1.9	1.2%	1.2	0.8%

Source: Frost & Sullivan

Note: Market share represents the Group or the competitor's total annual export volume in terms of total smartphone export volume of the PRC in the respective years.

Our competitive advantages over other China smartphone ODMs

Our competitive advantages over other China smartphone ODMs are (1) our strong product design capacity that enables us to accommodate to a vast customers base with widely diversified product specifications, (2) our strategic and long term partnership with our suppliers and EMS providers which greatly enhances our supply chain efficiency and generates high inventory turnover rate, enabling us to process bulk orders of larger volume than our competitors, and (3) by focusing on overseas market, we are one of the earliest China mobile handset ODM exporters to establish cooperative relationship with leading regional brand-owners, the local kings, that gives us the first mover advantage and create an entry barrier for new entrant.

We have a strong R&D team with approximately 64 experienced engineers who are able to design smartphone for most of the widely adopted wireless communication system including GSM, CDMA, EVDO, W-CDMA and LTE. We are among the few ODMs in the PRC that are qualified to partner with chipset supplier to develop reference design projects. For details, please refer to the “Business — Research, Development and Design” in this Prospectus.

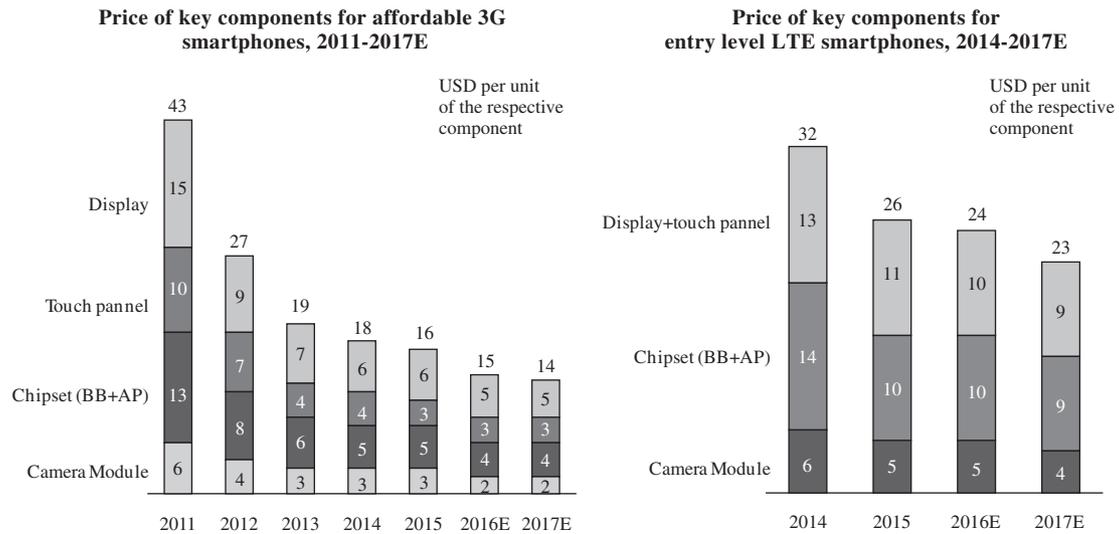
It is our strategy to focus on the high value added process of ODM chain i.e. the hardware and software design, and outsource most of the manufacturing process to EMS which are more capital intensive. Through this outsourcing strategy, we have established long term partnership with one of the EMS providers who is the second largest mobile handset EMS providers in 2013, which gives us the flexibility in handling orders from different customers with different product specification and order size. The Directors believe that this strategy also enables us to capitalise on the economy of scale of these EMS to achieve better efficiency in terms of production time and costs. Consequently we are able to achieve higher profit margin.

We began supplying to overseas market in 2007. We are one of the pioneers of mobile handset ODMs from China to distribute our products overseas. We benefit from this first mover advantage to establish long term partnership with several leading regional brand-owners, the local kings. It is also believed by our Directors that this long term partnership gives us significant lead time ahead of our competitors, which creates an entry barrier for our competitors to newly enter the same market.

INDUSTRY OVERVIEW

Price trend of key components

The key components of smartphones include mobile chipset, camera module, display modules and touch panel, etc. According to the F&S report, the key raw material price for 3G and 4G or LTE smartphones has been trending downward in the past three years and is expected to decrease further in 2015 to 2017. The tables below set out the trend of prices of key components per unit in USD for 3G and LTE smartphones.



Our component suppliers

The most important component in a smartphone is its chipset being a combination of various integrated circuits (semiconductor devices or chips) that performs different functions within the handset.

There are 2 leading mobile chipset providers in the market place, Qualcomm and MediaTek. Qualcomm is one of the world-leading provider of wireless technology and services with 64.0% market shares in global cellular baseband processor in 2013. It offers wireless chipset and software technology including CDMA, UMTS, GSM and LTE, as well as providing support for both 3G and 4G networks and devices. It secured the first place in both cellular baseband processor and smartphone applications processor segments, and remained the world's third largest fabless semiconductor producer in 2013. MediaTek is a leading provider of integrated circuit design, specializing in wireless communications and multimedia. It took the second place in cellular baseband processor market with a share of 12% and the smartphone applications processor market with 10% of value sales.

Other key components include display models, OGS touch panel and camera module. Our key suppliers for display and touch panel include (i) a group member of a listed company whose shares are listed on the Main Board which supplies high quality LCD panel with its headquarter in Hong Kong and its production facilities in the PRC and (ii) a group member of Shenzhen O-Film Tech Co., LTD., a listed company whose shares are listed on the Shenzhen Stock Exchange who is primarily engaged in providing capacitive touch panel, camera module provider in the PRC. Our key supplier for camera module is a group member of a listed company whose shares are listed on the Main Board which is an integrated optical device manufacturer and optical display system solutions provider.

REGULATIONS

This section sets out summaries of certain aspects of the laws and regulations which are relevant to our Group's operations and business.

REGULATORY OVERVIEW

We are based in the PRC and our principal subsidiary is set up and split from a wholly foreign owned entity in the PRC. We are primarily engaged in developing, designing, production management and sale of mobile handsets to overseas markets covering more than 25 countries in South Asia, South East Asia, North America, South America and other parts of Asia, where our products are sold by our customers under their own or authorised brand names.

We do not have our own manufacturing plant and outsource all the processing and assembling process to third party EMS providers. We do not sell our products directly to the retail consumers but instead deliver our products to our customers primarily on free-on-board (at Hong Kong ports) terms in accordance with our customers' specifications for shipment worldwide. Free-on-board means our Group, as seller, pays for transportation of our products to the port of shipment plus loading costs while our customers, as buyers, pay the cost of freight transport, insurance, unloading and transportation from the arrival port to the final destination. The passing of risks occurs when our products are loaded on board at the port of shipment. Our titles in property and risk of the products sold to overseas customers are passed to the overseas customers when the products are delivered to the forwarder located in Hong Kong. Some customers may designate us to deliver our products to their office in Hong Kong where the title and passing of risks occurs when our products reach their office. We are responsible for the administrative procedures for the export of most of the products outside China, where our customers were responsible for the procedures for customs entries of the products into their local countries and payment of import duties, if any. Many countries require various product certifications or markings on packaging when electronic or telecommunication products are imported to their countries, as well as imposing product liabilities on importers or local product suppliers. Our customers would hence specify manufacturing standards and/or certifications or markings required for the products to be supplied by us.

In the above connection, we set out below relevant laws and regulations relating to our set-up (including the Split) and principal operations in the PRC. We also set out below certain laws and regulations in Hong Kong, EU, U.S., India, Taiwan, Thailand and Philippines to where the sales attributable accounted for more than 70% of our total revenue during the Track Record Period. To the best information and knowledge of our Directors, our customers in Hong Kong export most of their products to other countries.

PRC LAWS AND REGULATIONS

This section sets out summaries of PRC laws and regulations, which are relevant to our Group's operations and business.

REGULATIONS ON FOREIGN INVESTMENT IN INDUSTRIES

Guidance Catalogue of Industries for Foreign Investment

Investment in the PRC conducted by foreign investors and foreign-owned enterprises shall comply with the Guidance Catalogue of Industries for Foreign Investment (《外商投資產業指導目錄(2015年修訂)》(the "Catalogue"), which was amended and promulgated by the MOFCOM and the NDRC on 10 March 2015. The Catalogue became effective on 10 April 2015 and contains specific provisions guiding market access of foreign capital, stipulating in detail the areas of entry pertaining to the categories of encouraged industries, restricted industries and prohibited industries. Any industry not listed in the Catalogue is a permitted industry. According to the Catalogue, "development and manufacture of the third generation and subsequent mobile communication cellphones, base stations, core network equipment and network testing equipment", which comprises of one important part of our business, falls within the category of encouraged industry, while the ODM services provided by us falls within the category of permitted industry.

REGULATIONS

Wholly Foreign-owned Enterprises Law

The Law of the People's Republic of China on Wholly Foreign-owned Enterprise (《中華人民共和國外資企業法》) (the "Wholly Foreign-owned Enterprises Law"), which was promulgated by the Standing Committee of the NPC on 12 April 1986 and amended on 31 October 2000, is the fundamental legal basis for PRC government to administer wholly foreign-owned enterprises. According to the Wholly Foreign-owned Enterprises Law, to establish a wholly foreign-owned enterprise, an investor shall make an application to the department in charge of foreign trade under the State Council or the organs authorised by the State Council. In the event of a separation, merger or other major change, a wholly foreign-owned enterprise shall report to and seek approval from the authorities in charge of examination and approval, and register the change with the Industry and Commerce Administration authorities. The foreign investor in any wholly foreign-owned enterprise may remit abroad profit lawfully earned from the enterprise and other income and funds lawfully obtained following the liquidation of the enterprise.

IP LAW

Trademark Law

Under the Trademark Law of the PRC (《中華人民共和國商標法》), which was last amended on 30 August 2013, any of the following acts shall be deemed to be an infringement of the exclusive right to use a registered trademark:

- (1) Using a trademark that is identical with a registered trademark on the same goods without the licencing of the registrant of the registered trademark;
- (2) Using a trademark that is similar to a registered trademark on the same goods, or using a trademark that is identical with or similar to the registered trademark on similar goods without the licencing of the registrant of the registered trademark, which is likely to cause confusion;
- (3) Sale of any goods that have infringed the exclusive right to use any registered trademark;
- (4) Counterfeit or unauthorised production of the label of another's registered trademark, or sale of any such label that is counterfeited or produced without authorisation;
- (5) Change of any trademark of a registrant without the registrant's consent, and selling goods bearing such replaced trademark on the market;
- (6) Providing, intentionally, convenience for activities infringing upon others' exclusive right of trademark use, and facilitating others to commit infringement on the exclusive right of trademark use; or
- (7) Other acts that have caused any other damage to another's exclusive right to use a registered trademark.

In the event where any of the above mentioned acts infringe the right to the exclusive use of a registered trademark, the infringer would be imposed a fine and/or ordered to cease the infringement acts immediately, and/or to pay the infringed party compensation.

All the trademarks we have are protected by the Trademark Law.

REGULATIONS

Patent Law

According to the Patent Law of the PRC (《中華人民共和國專利法》) amended on 27 December 2008 and the Detailed Rule for the Implementation of Patent Law amended on 9 January 2010 (《中華人民共和國專利法實施細則》), patent is divided into three categories: invention patent; utility model patent and design patent. The purpose of setting up the category of invention patent is intended to protect new technical solution for a product, e.g. a process or an improvement thereof. The purpose of setting up the category of utility model patent is intended to protect new technical solution in relation to a product's shape, structure or a combination thereof, which is fit for practical use. The purpose of setting up the category of design patent is intended to protect new design of a product's shape, pattern or a combination thereof as well as its combination with the colour and the shape or pattern of a product, which creates an aesthetic feeling and is fit for industrial application. To pledge a patent right, the pledgor and the pledgee shall jointly handle the registration of pledge at the administrative department for patent under the State Council.

Invention Patent

The applicant for invention patent must prove that the subject matter product possesses novelty, creativity and practical applicability. The grant of invention patent is subject to disclosure and publication. Normally, the patent administrative authority publishes the application within 18 months after it is filed and if it meets the requirements of this Law in its preliminary review, which may be shortened upon request by the applicant. The patent administrative authority conducts a substantive review within three years from the date the application is filed. The term of protection is 20 years from the date of application.

Once the invention patent right is granted, unless otherwise permitted by law, no individuals or entities are permitted to engage in the manufacture, use, offering for sale, sale or import of the patented product, or use the patented method or otherwise engage in the use, offering for sale, sale or import of the product directly derived from applying the patented method, without the licencing of the patentholder.

Utility Model Patent

The applicant for utility model patent must prove that the subject matter product possesses novelty, creativity and practical applicability. Utility patent is granted and registered upon application unless there are reasons for the patent administrative authority to reject the application after its preliminary review. The utility model patent is subject to the disclosure and publication upon application. The term of protection is 10 years from the date of application.

Once the utility patent right is granted, unless otherwise permitted by law, no individuals or entities are permitted to engage in the manufacture, use, offering for sale, sale or import of the patented product, or use the patented method or otherwise engage in use, offering for sale, sale or import of the product directly derived from applying the patented method, without the licencing of the patent holder.

Design Patent

The applicant for design patent protection must prove that the subject that for matter product is not identical to a prior design. The application procedure and term of protection is the same as that for utility patent.

Once a design patent is granted, no individuals or entities are permitted to engage in the manufacture, offering for sale, sale or import of the product protected by such design patent, without the licencing of the patent holder.

Accordingly, the use and pledge of our patents should comply with the Patent Law.

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Copyright Law

Under the Copyright Law of the PRC which was last amended on 26 February 2010, “Works” mentioned in this Law shall include works of literature, art, natural science, social science, engineering technology.

Where the copyright is pledged, the pledger and the pledgee shall handle the registration of pledge at the copyright administrative department of the State Council.

Accordingly, the use and pledge of our copyrights should comply with the Copyright Law.

DIVIDEND DISTRIBUTION

The principal regulations governing distribution of dividends by wholly foreign-owned enterprises include:

- PRC Company Law of 1993 (《公司法》), as most recently amended on 28 December 2013;
- Wholly Foreign-Owned Enterprise Law of PRC, promulgated and effective on 31 October 2000; and
- Wholly Foreign-Owned Enterprise Law Implementation Rules, promulgated and effective on 12 April 2001, as amended on 1 March 2014.

Under the current regulatory regime in China, foreign-invested enterprises in China may distribute dividends only from their accumulated profit, if any, calculated in accordance with PRC accounting standards and regulations. After making up for any deficit in prior years pursuant to the PRC laws, a wholly foreign-owned enterprise in China is required to set aside at least 10% of its after-tax profit calculated in accordance with PRC accounting standards and regulations each year as its general reserves until the cumulative amount of such reserves reaches 50% of its registered capital. These reserves are not distributable as cash dividends. The board of directors of a wholly foreign-owned enterprise has the discretion to allocate a portion of its after-tax profit to its staff welfare and bonus funds, which is likewise not distributable to its shareholders except in the event of a liquidation of the wholly foreign-owned enterprise.

Pursuant to the Announcement of the State Administration of Taxation and the State Administration of Foreign Exchange on Issues Concerning the Tax Record-filing on External Payments for Trade in Services and Other Items (《國家稅務總局、國家外匯管理局關於服務貿易等項目對外支付稅務備案有關問題的公告》), promulgated on 9 July, 2013 and effective from 1 September, 2013, any domestic institution or individual that makes a single payment in the amount of more than USD 50,000 to offshore institutions or individuals, such as dividends obtained by offshore institutions or individuals from China, shall complete tax record-filing with the respective competent local branches of the SAT.

As foreign-invested enterprises, our wholly-own subsidiary in the PRC should make dividend distributions pursuant to the laws above.

FOREIGN EXCHANGE

Pursuant to the Foreign Exchange Administration Regulation of the PRC (《中華人民共和國外匯管理條例》) promulgated on 29 January 1996, as amended on 14 January 1997 and 5 August 2008, and various regulations issued by the SAFE and other relevant PRC government authorities, the Renminbi is freely convertible only with respect to current account items, such as trade-related receipts and payments, interest and dividends. Capital account items, such as direct equity investments, loans and repatriations of investments, require the prior approval of the SAFE or its local branches for the conversion between Renminbi and foreign

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currency. Payments for transactions that take place within the PRC must be made in Renminbi. Foreign exchange transactions under the capital account are still subject to restrictions and require approvals from, or registration with, the SAFE and other relevant PRC governmental authorities, or their respective competent local branches.

According to Regulations on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China (《外國投資者境內直接投資外匯管理規定》), promulgated on 10 May, 2013 by SAFE and effective from 13 May, 2013, direct investment made by foreign investors in China (the “Direct Investment in China”) shall refer to the activities whereby foreign investors (including overseas institutions and individuals) establish FIEs or projects (hereinafter referred to as the “FIE”) in China. Direct Investment in China shall be administrated by registration. Such foreign investors involved in Direct Investment in China shall go through registration with the SAFE or its local branches (hereinafter collectively referred to as the “Foreign Exchange Bureau”). Banks shall process business relating to the Direct Investment in China based on the registration information provided by Foreign Exchange Bureaus.

A FIE shall be registered with the relevant Foreign Exchange Bureau right after its establishment. The FIE shall update the registration with the Foreign Exchange Bureau if subsequently it increases or reduces its capital, transfers its equity or undergoes other capital changes. The FIE shall unregister with the Foreign Exchange Bureau if it is subsequently dissolved or converted to a non-FIE.

On 30 March 2015, the SAFE promulgated the Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (“SAFE Circular No. 19”), which came into effect from 1 June 2015. According to SAFE Circular No. 19, the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretionary Foreign Exchange Settlement (“Discretionary Foreign Exchange Settlement”). The Discretionary Foreign Exchange Settlement refers to the foreign exchange capital in the capital account of an FIE for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the FIE. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital of an FIE is temporarily determined as 100%.

Furthermore, SAFE Circular No. 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of an FIE and capital in Renminbi obtained by the FIE from foreign exchange settlement shall not be used for the following purposes:

1. directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations;
2. directly or indirectly used for investment in securities unless otherwise provided by relevant laws and regulations;
3. directly or indirectly used for granting the entrust loans in Renminbi (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by the third party) or repaying the bank loans in Renminbi that have been sub-lent to the third party; and
4. paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

In 15 February 2012, SAFE issued the Circular of the State Administration of Foreign Exchange on Domestic Individuals Participating in Overseas Listed Companies’ Employee Share Incentive Plans (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (匯發[2012]7號), or SAFE Circular No. 7, which became effective upon circulation.

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According to SAFE Circular No. 7, domestic individuals who are granted shares or share options by an overseas listed company under the share incentive plans are required, through the domestic company of such overseas listed company or other qualified domestic agents, to register with SAFE and complete certain other procedures related to the share incentive plans. Pursuant to SAFE Circular No. 7, “Domestic individuals” include both the PRC nationals and foreign nationals who have resided within China for one full year on a continuous basis except foreign diplomats in China and representatives of any international organisation in China; and “Domestic companies” comprise of overseas listed companies which are registered in China, branches (including representative offices) of overseas listed companies in China, and the Chinese parent, subsidiary or partnership enterprise which has a controlling or actual controlling relationship with the overseas listed company.

Foreign exchange income from the sale of shares or dividends distributed by the overseas listed company shall be remitted into the domestic special foreign exchange account that is opened by the domestic company or its domestic agency and then may be remitted to a foreign currency account of such Domestic individual or be exchanged into Renminbi.

For the purpose of completion of the above transaction procedures, a domestic agent and a foreign entrusted entity are required to be appointed. The domestic agent, which can be domestic companies participating in the employee share incentive plans or a third-party domestic entity that is able to provide asset custodian services, will be responsible for making the application, opening the bank accounts and managing the remittance and transfer of funds. The foreign entrusted entity shall be responsible for the exercise, purchase and sale of shares or interests as well as the transfer of funds.

Our employees, our PRC RSU holders or our PRC share option holders, who fall into the scope of Domestic individuals and have been or will be granted share options, will be subject to the provisions under SAFE Circular No. 7 upon the listing of the Shares on the Stock Exchange. If we, our PRC RSU holders or our PRC share option holders fail to comply with such rules in the future, we, our PRC RSU holders or our PRC option holders may be subject to fines and other legal or administrative sanctions.

SAFE Circular No. 75 (repealed) and SAFE Circular No. 37

On 21 October 2005, the SAFE issued SAFE Circular No. 75, the Notice of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in the Financing and Return on Investment Conducted by PRC Residents via Special Purpose Vehicles outside the PRC (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), which became effective as of 1 November 2005. SAFE Circular No. 75 and the related implementation rules state that PRC residents, whether natural or legal persons, must register with the relevant local SAFE branch prior to establishing or taking control of an offshore entity established for the purpose of overseas equity financing with onshore assets or equity interests held by them. The term “PRC natural person residents” as used in the SAFE Circular No. 75 includes all PRC citizens and all other natural persons, including foreigners, who habitually reside in China for economic benefits. PRC residents are required to complete registration alteration formalities with the local SAFE branch upon (i) transfer of equity interests or assets of an onshore enterprise to the offshore entity, or (ii) subsequent overseas equity financing by such offshore entity. PRC residents are also required to complete registration alteration or filing with the local SAFE branch within 30 days as of the occurrence of any material change in the shareholding or capital of the offshore entity, such as changes in share capital, share transfers and long-term equity or debt investments, and provision of security. PRC residents who have already incorporated or gained control of offshore entities that have made onshore investment in China before SAFE Circular No. 75 was promulgated must register their shareholding in the offshore entities with the local SAFE branch on or before 31 March 2006.

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Under SAFE Circular No. 75, PRC residents are further required to repatriate back into PRC all of their dividends, profit or capital gains obtained from their shareholdings in the offshore entity within 180 days as of their receipt of such dividends, profit or capital gains. The registration and filing procedures under SAFE Circular No. 75 are prerequisites for other approval and registration procedures necessary for capital inflow from the offshore entity, such as inbound investments or shareholder loans, or capital outflow to the offshore entity, such as the payment of profit or dividends, liquidating distributions, equity sale proceeds, or the return of funds upon a capital reduction.

SAFE Circular No. 37, the Notice of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in the Investment and Financing and Return on Investment Conducted by PRC Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), promulgated and effective on 4 July 2014, replaces SAFE Circular No. 75.

According to Item 10 “The Registration of the Special Purpose Vehicles by PRC Resident Individuals”, the Appendix 1 “Operating Guidelines for the Business Involved in the Foreign Exchange Administration of Round-trip Investment” of the SAFE Circular No. 37, PRC Resident Individuals shall only register for the (first layer) SPV directly established or controlled by the applicant.

Whereas in the process of Reorganisation, no change has occurred to Winmate which is the first layer SPV directly established by Ms. Rong and Mr. Ni, therefore Ms. Rong and Mr. Ni do not need to make amendments to their Registration of their special purpose vehicles.

THE 2006 M&A RULES

In 8 August 2006, MOFCOM, together with the SASAC, the SAT, the SAIC, the CSRC and the SAFE issued the M&A Rules, which became effective on 8 September 2006 and was amended on 22 June 2009. An acquisition under the M&A Rules can be either an equity acquisition or an asset acquisition. An equity acquisition is an acquisition of equity interest in a PRC domestic company or the subscription of registered capital of a PRC domestic company by foreign investors for the purpose of converting such PRC domestic company into a FIE.

An asset acquisition is the acquisition of a PRC domestic company’s assets (i) by a FIE for the purpose of controlling such assets and use them in business operations, or (ii) by foreign investors, through contract, in order to establish a FIE for the purpose of conducting business operations.

LABOUR PROTECTION

According to the Labour Law of the PRC (《中華人民共和國勞動法》) effective as of 1 January 1995, enterprises and institutions shall establish and perfect its system of work place safety and sanitation, strictly abide by state rules and standards on work place safety and sanitation, educate employees of work place safety and sanitation. Work place safety and sanitation facilities shall comply with state-fixed standards. The enterprises and institutions shall provide employees with work place safety and sanitation conditions which are in compliance with state stipulations and relevant articles of labour protection.

The Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) was promulgated on 29 June 2007, which became effective on 1 January 2008 and was amended on 28 December 2012. This law governs the employment relationships between employers and employees, and the conclusion, performance and termination of, and the amendment to, employment contracts. To establish an employment relationship, a written employment contract must be signed within one month from the date on which the employee commences work. If an employer fails to enter into a written employment contract with an employee within one year from the date on which the employment relationship is established, it shall pay the employee twice his/her salary for each month and rectify the situation by subsequently entering into a written employment contract with the employee.

REGULATIONS

In addition, the PRC Labour Contract Law requires employers to provide remuneration packages which are not lower than the respective local minimum standards.

The PRC Employment Promotion Law (《中華人民共和國就業促進法》), which took effect from 1 January 2008 and was amended on 24 April 2015, stipulates that employees shall have equal opportunities to employment without discrimination in terms of ethnicity, race, gender, religious belief, communicable disease and rural residence, and may not be discriminated against in hiring or in their employment terms. Enterprises are also required to provide employees with vocational training. Administrative authorities at the county level or above are responsible for implementing policies to promote employment.

According to the Regulation on Work-Related Injury Insurance (《工傷保險條例》), which took effect from 1 January 2004 and was last amended on 20 December 2010, employers should pay work-related injury insurance fees for their employees.

Under the Interim Measures Concerning the Maternity Insurance of Enterprises Employees (《企業職工生育保險試行辦法》) effective from 1 January 1995, employers should pay maternity insurance fees for their employees.

Under the Interim Regulations Concerning the Levy of Social Insurance Fees (《社會保險費徵繳暫行條例》) promulgated on 22 January 1999 and the Interim Measures Concerning the Administration of the Registration of Social Insurance (《社會保險登記管理暫行辦法》) promulgated on 19 March 1999 and the PRC Social Insurance Law (《中華人民共和國社會保險法》), which came into effect on 1 July 2011, employers in the PRC are required to register social insurance with the local social insurance authorities, and make contributions to the basic pension insurance fund, basic medical insurance fund and unemployment insurance fund for their employees.

According to the Regulation Concerning the Administration of Housing Provident Fund (《住房公積金管理條例》) promulgated on 3 April 1999 and amended on 24 March 2002, employers in the PRC shall register with the housing provident fund management centre. Employers will then need to open housing provident fund accounts with entrusted banks for their employees and contribute to the fund at a rate of not less than 5% of the employee's average monthly salary in the preceding year.

Pursuant to the laws and regulations above, our wholly-owned subsidiary in the PRC should establish employment relationships legally, register social insurance and housing provident fund for their employees and pay the required fund/fees in full and on time.

TAXATION

Enterprise Income Tax

The EIT Law of the PRC (《中華人民共和國企業所得稅法》) and Implementation Rules for the EIT Law of the PRC (《中華人民共和國企業所得稅法實施條例》), both of which became effective on 1 January 2008, subject to preferential tax policies, impose a statutory enterprise income tax rate of 25% on both domestic and foreign invested enterprises. A resident enterprise is subject to enterprise income tax for the income derived from both inside and outside the territory of the PRC. If an organisation or establishment is deemed as a non-resident enterprise in the PRC, it is subject to enterprise income tax for the income derived from such organisation or establishment in the PRC and the income derived from outside the PRC but with actual connection with such organisation or establishment in the PRC. For a non-resident enterprise which has not set up an organisation or establishment in the PRC, or has set up an organisation or establishment but the income derived has no actual connection with such organization or establishment, its income derived in the PRC will be subject to enterprise income tax. With respect to a high and new technology enterprise that needs key support by the State, the tax levied on its income shall be at a reduced rate of 15%.

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On 26 December 2007, the State Council promulgated the Notice of the State Council on Transitional Preferential Policy For Implementing Enterprise Income Tax (《國務院關於實施企業所得稅過渡優惠政策的通知》), whereby enterprises enjoying preferential tax rates under the relevant tax laws and administrative regulations and the enterprises income preferential tax policy as stipulated by competent documents with administrative regulation force are subject to the following measures for transition:

- (1) Since 1 January 2008, enterprises enjoying the existing tax preferential policy with lower tax rate will gradually transit to the statutory tax rate within five years from the implementation of the EIT Law. Among them, for enterprises enjoying enterprise income tax rate of 15%, the tax rate of 18%, 20%, 22%, 24% and 25% will take effect in 2008, 2009, 2010, 2011 and 2012, respectively; for enterprises enjoying enterprises income tax rate of 24%, the tax rate of 25% takes effect from 2008 onwards.
- (2) Since 1 January 2008, enterprises enjoying fixed-term preferential tax treatment under relevant enterprises income tax laws and regulations, such as the “2 years tax exemption and 3 years 50% tax reduction” and the “5 years tax exemption and 5 years 50% tax reduction” will continue to enjoy the preferential tax treatment until expiry of the relevant fixed term according to relevant tax law, administrative regulations and preferential measures stipulated in the relevant document after the promulgation of the EIT Law. For enterprises not yet enjoyed preferential tax treatment, as profit have not yet been realised, the relevant term for enjoying preferential tax treatment shall be calculated commencing from 2008.

The enterprises entitled to benefit from the transitional preferential policies referred to above shall be enterprises established prior to 16 March 2007 that are registered with an administrative authority such as the Administration of Industry and Commerce. For details, the projects eligible to benefit from transitional preferential policies and the scope of such policies are defined in the annex attached to the above-mentioned notice.

Withholding Tax on Dividend Income

Under the EIT Law and its implementation rules, PRC income tax at the rate of 10% is applicable to dividends payable to investor that are regarded as “non-resident enterprise” (“non-resident enterprise” shall refer to an enterprise, which is established in accordance with the laws of foreign countries (regions) and with its “de facto management organisation” located outside China, but has an establishment or a place in China; or an enterprise, though having no establishment or place in China, derives income that is sourced from China) to the extent such dividends are sourced within China. Similarly, any gain realised on the transfer of Shares by such investors is also subject to 10% PRC withholding income tax if such gain is regarded as income derived from sources within China.

However, for FIEs from countries or regions that have signed bilateral tax treaty with China, the withholding tax rate may be lower depending on the terms of the applicable tax treaty. According to the Arrangement between the Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排》), effective from 8 December 2006 and issued by the SAT, the withholding tax rate for dividends paid by a PRC enterprise to a Hong Kong enterprise is 5% if the Hong Kong enterprise owns at least 25% equity interests of the PRC enterprise; otherwise, the withholding tax rate for dividend is 10%.

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Further, pursuant to the Circular of State Administration of Taxation on Printing and Issuing the Administrative Measures for Non-resident Individuals and Enterprises to Enjoy the Treatment Under Taxation Treaties (《關於印發〈非居民享受稅收協定待遇管理辦法(試行)〉的通知》(國稅發[2009]124號), which became effective on 1 October 2009, the preferential tax rate under the relevant tax treaties does not automatically apply. Approvals from or filing at the competent local tax authorities are required before an enterprise can enjoy the relevant preferential tax treatments relating to dividends under the relevant taxation treaties.

In addition, in accordance with the Notice of the State Administration of Taxation on How to Understand and Determine the “Beneficial Owners” in the Relevant Taxation Treaties (《關於如何理解和認定稅收協定中「受益所有人」的通知》(國稅函[2009]601號) issued by the SAT on 27 October 2009, the PRC tax authorities must evaluate whether an applicant (income recipient) can be qualified as a “beneficial owner” under the relevant taxation treaties on a case-by-case basis, and in conducting such evaluation, the taxation authorities must examine the substance rather than the form of the relevant case.

The Notice of the State Administration of Taxation on Issues Relating to the Administration of the Dividend Provision in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》(國稅函[2009]81號) promulgated on 22 February 2009 by the SAT, states that the corporate recipient of dividends distributed by the PRC enterprises must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends.

However, the EIT Law also stipulates that if (i) an enterprise distributing dividends is domiciled in China or (ii) capital gains are realised from the transfer of equity interests in enterprises in China, then such dividends or capital gains are treated as PRC-sourced income. If our Company is deemed as a PRC resident enterprise for tax purpose by PRC tax authorities, then (i) any dividends we pay to our non-resident overseas Shareholders and (ii) any capital gains realised by our non-resident Shareholders from transfer of our equity interests in a PRC enterprise may be regarded as PRC-sourced income and be subject to a PRC withholding tax rate of 10%.

URBAN MAINTENANCE AND CONSTRUCTION TAX AND EDUCATION SURCHARGE

According to the Circular of the State Council on Unifying the System of Urban Maintenance and Construction Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals (《國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》), which was promulgated on 18 October 2010 and effective from 1 December 2010, the Tentative Regulations of the PRC on Urban Maintenance and Construction Tax (《中華人民共和國城市維護建設稅暫行條例》) promulgated in 1985 and the Tentative Provisions on the Collection of Education Surcharge (《徵收教育費附加的暫行規定》) promulgated in 1986 by the State Council shall be applicable to foreign-invested enterprises, foreign enterprises and foreign individual.

Pursuant to the Tentative Regulations of the PRC on Urban Maintenance and Construction Tax, which was promulgated on 8 February 1985 and effective from 1 January 1985, and the Circular of the State Administration of Taxation on Issues Concerning the Collection of the Urban Maintenance and Construction Tax (《國家稅務局關於城市維護建設稅徵收問題的通知》), which was promulgated on 12 March 1994 and effective on and after 1 January 1994, any unit or individual subject to consumption tax, value-added tax and business tax shall also be required to pay urban maintenance and construction tax. Payment of urban maintenance and construction tax shall be based on the consumption tax, value-added tax and business tax which a taxpayer actually pays and shall be made simultaneously when the consumption tax, value-added tax and business tax are paid. Furthermore, the rate of urban maintenance and construction tax shall be 7%, 5% and 1% for a taxpayer in a city, in a county town or town and in a place other than a city, county town or town, respectively.

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In accordance with the Tentative Provisions on the Collection of Education Surcharge (《徵收教育費附加的暫行規定》), which was last revised on 20 August 2005, all institutions and individuals who pay consumption tax, value-added tax and business tax shall also be required to pay education surcharge. The education surcharge is 3% of the amount of value-added tax, business tax and consumption tax actually paid by each institution or individual, and the education surcharge shall be paid simultaneously with value-added tax, business tax and consumption tax, excluding the institutions who pay rural educational undertaking surcharge pursuant to the Circular of the State Council on Raising Funds for Rural Schools (《國務院關於籌措農村學校辦學經費的通知》) (國發[1984]174號).

On 7 November 2010, the Ministry of Finance has issued a notice to unify the Local Education Surcharge Policy (《關於統一地方教育費附加政策有關問題的通知》) (財政[2010]98號). The notice clarifies that the Local Education Surcharge will be applied to foreign invested enterprises, foreign enterprises and individuals at a standard rate of 2% on the value-added tax, business tax and consumption tax liabilities.

VALUE-ADDED TAX AND BUSINESS TAX

Pursuant to the Interim Regulations on Value-Added Tax of PRC (《中華人民共和國增值稅暫行條例》), which was last amended by the State Council on 5 November 2008 and effective from 1 January 2009 and its Detailed Implementation Rules on the Interim Regulations on Value-Added Tax of PRC (《中華人民共和國增值稅暫行條例實施細則》) issued by the Ministry of Finance and SAT on 15 December 2008, which became effective on 1 January 2009 and was amended on 1 November 2011, all enterprises and individuals engaged in the sales or importation of goods, and provision of processing, repairing and replacement services, within the territory of the PRC shall pay value-added tax at the following rates:

- (1) For taxpayers selling or importing goods other than those specified in items (2) and (3) of below, the tax rate shall be 17%.
- (2) For taxpayers selling or importing the following goods, the tax rate shall be 13%:
 - (a) grains, edible vegetable oils;
 - (b) tap water, heating gas, cooling gas, hot water, coal gas, liquefied petroleum gas, natural gas, methane gas, coal/charcoal products for household use;
 - (c) books, newspapers, magazines;
 - (d) feeds, chemical fertilisers, agricultural chemicals, agricultural machinery and plastic film for farming; and
 - (e) other goods as specified by the State Council.
- (3) For taxpayers exporting goods, the tax rate shall be 0%, unless otherwise specified by the State Council.
- (4) The rate of value-added tax levied on small-scale taxpayers shall be 3%.

Pursuant to the Interim Regulations on Business Tax of PRC (《中華人民共和國營業稅暫行條例》) amended by the State Council on 10 November 2008 and effective from 1 January 2009 and its Detailed Implementation Rules on the Interim Regulations on Business Tax of PRC (《中華人民共和國營業稅暫行條例實施細則》) which were issued by the Ministry of Finance and SAT on 18 December 2008 and which became effective on 1 January 2009, the business tax rate on provision of taxable service, transfer of intangible asset, and sale of immovable properties ranges from 3% to 20%.

REGULATIONS

Pursuant to the Circular of the Ministry of Finance and the SAT on the Inclusion of Railway Transport Industry and Postal Service Industry in the Pilot Collection of VAT in Lieu of Business Tax (《財政部、國家稅務總局關於將鐵路運輸和郵政業納入營業稅改增值稅試點的通知》) (SAT Circular No. 106) and its appendices, issued by the Ministry of Finance and the SAT on 2 December 2013 and amended on 19 May 2015, enterprises which operate transportation, postal service and partial modern service shall, according to the SAT Circular No. 106 and its appendices, pay value-added tax and do not need to pay business tax any more. Our wholly-owned subsidiary in the PRC falls within the category of the enterprises which operate modern service and do not have to pay business tax any more.

TAX COLLECTION FOR SHARE TRANSFER BY NON-PRC RESIDENT ENTERPRISES

The Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) or SAT Circular No. 698 was issued by the SAT on 10 December 2009 with retroactive effect from 1 January 2008. On 3 February 2015, SAT issued the Announcement of the State Administration of Taxation on Several Issues concerning the Enterprise Income Tax on the Indirect Transfers of Properties by Non-Resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) or SAT Announcement 7. SAT Announcement 7 annulled and replaced the relevant provisions of Circular 698 regarding to the indirect transfer of the equity interests in a PRC resident enterprise. Pursuant to SAT Announcement 7, if a non-PRC resident enterprise transfers its equity interests of an offshore enterprise which directly or indirectly owns Chinese properties (“Taxable Properties”) by conducting arrangement without reasonable commercial purpose, such transfer shall be deemed as direct transfer of Taxable Properties. Factors that may be taken into consideration when determining whether there is a “reasonable commercial purpose” include the value constitution of the transferred equity, offshore taxable situation of the transaction, the offshore structure’s economic essence and duration, trading fungibility and, etc.

Our wholly-owned subsidiary in the PRC shall pay their taxes and surcharges in full and on time pursuant to the laws and regulations above.

SPLIT

General Requirements

Pursuant to the PRC Company Law, and the Provisions of the Ministry of Foreign Trade and Economic Cooperation and the State Administration for Industry and Commerce on Merger and Split of Foreign-Invested Enterprises (《關於外商投資企業合併與分立的規定》) promulgated and effective on 22 November 2001, the split of a company may be in the form of split by continued existence and split by dissolution. Split by continued existence refers to the split of a company into two or more companies, with that the original company continuing to exist and one or more new companies established. Split by dissolution refers to the split of a company into two or more companies, with that the original company dissolved and two or more new Companies established.

The split of Benywave Technology took the form of split by continued existence, with Benywave Technology continuing to exist and Benywave Wireless, a new company, established.

The resolution of shareholders on the split of a company shall be adopted by the shareholders representing more than two thirds of the voting rights. The property of the company shall be divided upon the split by continued existence/split by dissolution. The balance sheet and a list of property of the company shall be prepared for the split thereof.

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The company shall notify its creditors within 10 days after the resolution on split is made, and shall publish an announcement in newspapers within 30 days. The announcement shall include the arrangements for the debts of the original company after the split. The creditors shall, within 30 days upon receipt of the written notice, or in the case of not receiving the written notice, within 45 days after the public announcement (“Announcement Period”), be entitled to request the company to repay the debts or provide guaranty. The companies after the split shall bear joint and several liabilities for the debts of the original company, unless otherwise agreed upon prior to the split by the company and its creditors in a written agreement concerning the settlement of debts.

After the split, the companies shall complete/update registration with Industry and Commerce Administration authorities. For the form of split by continued existence, the newly-established company shall apply for a name pre-approval (“名稱預先核准”) prior to the application of its registration, according to Regulations of the People’s Republic of China on the Registration Administration of Companies (《中華人民共和國公司登記管理條例》), promulgated by the State Council on 24 June 1994 and latest amendments on 19 February 2014, effective on 1 March 2014.

Special Procedures for FIEs

The split of a FIE shall seek the approval from the authority that approved the establishment of the enterprise.

A FIE to be split shall submit the following documents to the approval authority:

- (1) Written application for split signed by the legal representative of the FIE;
- (2) Resolution of the top governing body of the FIE regarding the split thereof;
- (3) Agreement on the split of the FIE concluded by the companies proposed to continue to exist or to be newly established after the split;
- (4) Contracts and articles of association of the FIE;
- (5) Photocopy of the approval certificate and business license of the FIE;
- (6) Capital verification report issued by a statutory capital verification agency of China for the FIE;
- (7) Balance sheet and property list of the FIE;
- (8) Name list of the creditors of the FIE;
- (9) Contracts and articles of association of the Companies resulting from the split;
- (10) Name lists of the members of the top governing bodies of the Companies resulting from the split;
and
- (11) Other documents to be submitted as required by the examination and approval authorities.

The approval authority shall, within 45 days upon receipt of the above documents, give a preliminary reply in writing on whether or not to approve the split.

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Where the creditors of the FIE to be split do not raise any objection after the Announcement Period, the FIE to be split shall submit the following documents to the approval authority:

- (1) Copy of announcement on the split of the FIE made by the FIE in a newspaper;
- (2) Copy of the Notice to Creditors and the replies of the creditors;
- (3) Statement of the FIE describing its plans on handling the debts of the original FIE; and
- (4) Other documents to be submitted as required by the approval authority.

The approval authority shall, within 30 days of receiving the required documents, decide whether or not to approve the split of the FIE.

For the form of split by continued existence, the FIE continuing to exist shall update the Approval Certificate for a Foreign-Invested Enterprise with the approval authority, and the newly-established FIE shall acquire the Approval Certificate for a Foreign-Invested Enterprise from the approval authority.

HONG KONG LAWS AND REGULATIONS

IMPORT AND EXPORT

According to section 9 of the Telecommunication Ordinance (Chapter 106 of the Laws of Hong Kong) (the “Telecommunication Ordinance”), save under and in accordance with a permit granted by the Communications Authority, no person shall import into Hong Kong or export therefrom any radiocommunications transmitting apparatus unless he is the holder of a licence authorizing him to deal in the course of trade or business in such apparatus.

Further, according to section 8(1)(c) of the Telecommunication Ordinance, no person shall in Hong Kong or on board any ship, aircraft or space object that is registered or licensed in Hong Kong deal in the course of trade or business in apparatus or material for radiocommunications or in any component part of any such apparatus or in apparatus of any kind that generates and emits radio waves whether or not the apparatus is intended, or capable of being used, for radiocommunications unless with the appropriate licence granted or created by the Communications Authority. However, pursuant to section 5(1)(b)(ii) of the Telecommunications (Telecommunications Apparatus) (Exemption from Licensing) Order (Chapter 106Z of the Laws of Hong Kong), no such licence shall be required if the apparatus is used or is capable of being used (i) other than as a mobile earth station; and (ii) meets the relevant technical criteria set out in the Telecommunication Ordinance and tolerates interference from other telecommunications apparatus or any telecommunications system authorized under the Telecommunication Ordinance.

Imports of mobile handsets into Hong Kong are tax-free.

INDIAN LAWS AND REGULATIONS

Importer Exporter Code

Pursuant to the Foreign Trade (Development and Regulation) Act, 1992 (the “**Foreign Trade Act**”), no person is permitted to make any import or export except under an importer-exporter code (an “**IEC**”) number granted by the Director General of Foreign Trade (the “**DGFT**”). Section 8(1)(a) of the Foreign Trade Act provides that any contravention of any law relating to central excise, customs, foreign exchange or other economic laws as may be notified by the Central Government is ground for the suspension/cancellation of the IEC number.

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The obligation of obtaining an IEC number, in our case, rests with the Group's customers. The Group is not legally obligated to obtain an IEC number since it neither imports any goods into India, nor does it export any goods out of India.

The Research and Development Cess Act, 1986

The Research and Development Cess Act, 1986 (“**R&D Act**”) imposes a cess on all payments made for the import of technology, in order to incentivize the commercial application of indigenously developed technology. The rate of cess is to be notified from time to time by the Central Government, but cannot exceed five per cent. Nonpayment of the cess may attract a penalty of up to ten times the amount in arrears. The liability to pay cess is on the person importing technology and does not extend to the Group. Our Directors confirm our products supplied to India during the Track Record Period fulfilled this requirement.

Product Safety

A. International Mobile Equipment Identity and Electronic Serial Number

The Groupe Speciale Mobile Association (the “**GSM Association**”) is an association which focuses on ensuring mobile services work globally, thereby enhancing their value to individual users and national economies. Membership to this association is voluntary and upon payment of a stipulated amount of fee. Majority of the countries which use GSM technology are a member of this association. In this regard, the GSM Association issued a non-binding IMEI Allocation and Approval Guidelines dated October 31, 2013, whereby it laid down guidelines for members part of the GSM Association with respect to allocation of a unique international mobile equipment identity (the “**IMEI**”) identifying an individual mobile station in a GSM network. The mobile equipment manufacturer which manufactures mobile devices under its own brand name, and/or the brand owner, is required to register with the GSM Association and obtain a ‘Type Allocation Code’ (“**TAC**”) for each different device model. The TAC is, in-turn, used to create the IMEI code. The IMEI code consists of a number of fields totaling 15 digits. All digits have the range of zero to nine coded as a binary coded decimal. The GSM Association maintains a unique system known as the IMEI database which is global central database containing basic information on the IMEI ranges of GSM devices that are in use across the GSM networks of the world. This IMEI database is also activated and updated every 15 days in the equipment identity register (“**EIR**”) of telecom service providers.

The Department of Telecommunications, Ministry of Communications and Information Technology, Government of India, issued a directive (No. 20-40/2006-BS-III(Pt.)/(Vol. I) dated October 6, 2008, in the interest of national security to all access service providers to make provision for an EIR so that all cellular phones without IMEI or ESN or invalid IMEI or ESN are not processed and rejected.

The Department of Commerce, Ministry of Commerce and Industry, Government of India has issued a notification (No. 14/ 2009-2014, New Delhi) on October 14, 2009 which prohibits import of ‘Mobile Handsets’ (classified under ITC (HS) Code ‘8517’) without IMEI numbers or with all-Zeroes IMEI.

As the Company neither manufactures mobile devices under its own brand name nor is the brand owner of the mobile devices it manufactures, it is not required to register with the GSM Association and obtain a TAC.

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B. Electronics and Information Technology Goods (Requirements for Compulsory Registration) Order

The Department of Electronics and Information Technology, Ministry of Communications and Information Technology, Government of India has issued Electronics and Information Technology Goods (Requirements for Compulsory Registration) Order, 2012 pursuant to the powers conferred on it by the Bureau of Indian Standards Act, 1986 (“**Registration Order**”). It stipulates that no person shall by himself or through any person on his behalf manufacture or store for sale, import, sell or distributive goods which do not conform to the specified standards and do not bear a self-declaration after obtaining registration from BIS. The specified standard applicable to mobile handsets is “Information Technology Equipment Safety General Requirements” (No. IS 13252:2010). Substandard or defective goods which do not conform to the specified standard shall be deformed beyond use by the manufacturer and disposed of as scrap. The Department of Electronics and Information Technology and the BIS are empowered by the Registration Order to randomly select samples of registered electronic goods to ascertain whether these goods conform to the specified standard.

The Government of India is in the process of enforcing further higher standards for electromagnetic fields radiation for mobile handsets. An office memorandum (no. 32-7/2010) dated November 17, 2011 has stipulated that specific absorption rate (“**SAR**”) level for mobile handsets shall be limited to 1.6 Watt/Kg, averaged over a 6 minutes period and taken over a volume containing a mass of 1 gram of human tissue. Mobile handset manufactured and sold in India or imported from other countries shall be checked for compliance of SAR level. All cell phone handsets sold in the market in India shall comply with relevant standards of the BIS and shall be with hand free devices. SAR value information of the mobile handset shall be made available on the manufacturer’s website and in the handset’s manual. Further, the information on SAR values shall be made available to the customer at the point of sale.

The BIS has recently circulated draft standards (LITD 13/T-160 dated July 9, 2014) seeking comments and suggestions from stakeholders (and other interested persons) such that these standards may be adopted as ‘National Standards’. Few of the important guidelines stipulated in the said draft are as follows:

- (a) Each handset shall be indelibly and clearly marked with the following information:
 - (i) The mobile terminal shall be marked with the manufacturer’s brand identification mark and model;
 - (ii) Each individual mobile terminal shall be allocated a unique ‘International Mobile Station Equipment Identity (IMEI)’. The IMEI number of the device shall be available in the latest updated IMEI database of the GSMA. The Handset IMEI shall not be with all zeroes. For the case of CDMA the mobile handset shall have a valid & unique Electronic Serial Number (ESN) or Mobile Equipment Identifier (MEID) number;
 - (iii) Mobile phones shall display all the IMEI no. (GSM/UMTS/LTE) or MEID/ESN(CDMA) by way of request using the MMI string code *#06#;
 - (iv) In case of mobile handset having more than one SIM, if each SIM is associated with its own transceiver, then each transceiver/SIM slot shall have its own associated IMEI number.

Therefore, a dual SIM phone should have two IMEI numbers; a three SIM phone should have 3 IMEI numbers, etc.

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- (b) In case of a dual SIM device with one transceiver, the device shall display two unique IMEI numbers. Each additional SIM slot/transceiver shall add one unique IMEI/MEID/ESN number to be displayed.
- (c) In case of dual transceiver (Dual technology, GSM & CDMA) device with single SIM device, the device shall display two unique IMEI & MEID/ESN numbers. Each additional SIM slot/transceiver shall add one unique IMEI/MEID/ESN number to be displayed.

Anti-dumping and Customs Duty

The Customs Tariff Act, 1975 as amended in 1995, and (i) the Customs Tariff (Identification, Assessment and Collection of Anti-dumping Duty on Dumped Articles and for Determination of Injury) Rules, 1995, and (ii) Customs Tariff (Identification, Assessment and Collection of Countervailing Duty on Subsidized Articles and for Determination of Injury) Rules, 1995 framed thereunder form the legal basis for anti-dumping and anti-subsidy investigations and for the levy of anti-dumping and countervailing duties. Pursuant to the Customs Tariff Act, 1975, where any article is exported from any country or territory to India at less than its normal value, then, upon the importation of such article into India, the central government of India may impose an anti-dumping duty not exceeding the margin of dumping in relation to such article. The normal value of an article is the comparable price at which the articles under complaint are sold, in the ordinary course of trade, in the domestic market of the exporting country or territory. If the normal value cannot be determined by means of the domestic sales, the following two alternative methods may be employed to determine the normal value: (a) comparable representative export price to an appropriate third country, and (b) constructed normal value, i.e. the cost of production in the country of origin with reasonable addition for administrative, selling and general costs and reasonable profit. A dumping investigation can normally be initiated only upon receipt of a written application by or on behalf of the “domestic industry”, i.e. the Indian producers of the like articles as a whole.

The Customs Act, 1962 is the basic legislation for levy and collection of customs duty in India. It contains various provisions relating to imports and exports of goods and merchandize as well as baggage of persons arriving in India. The main purpose of Customs Act, 1962 is the prevention of illegal imports and exports of goods.

As the Group is not responsible for the import of its products into India, the compliance obligations under the Customs Act does not extend to the Group.

Consumer Protection

Product liability in India is mainly governed by the Consumer Protection Act, 1986 (the “CPA”), by imposing liability on manufacturers, wholesalers, distributors and vendors for injury to a person or property caused by dangerous or defective products. The CPA imposes strict liability on a manufacturer, in case of supply of defective goods by him, and a service provider, in case of deficiency in rendering of its services. The terms “defect” and “deficiency” are given a broad interpretation and cover any kind of fault, imperfection or shortcoming in the quality, quantity, potency, purity or standard. “Manufacturer” has been described as a person who makes or manufactures any goods or parts or does not make or manufacture any goods but assembles parts thereof made or manufactured by others or puts or causes to be put his own mark on any goods made or manufactured by any other manufacturer.

Given that the Company merely procures processing and assembling of devices for its customers like Karbonn, and such devices are sold in India under the customer’s brand-name, the risk that the Company (or the Group) being regarded as a ‘manufacturer’ under the CPA is remote.

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EU LAWS AND REGULATIONS

Product Safety

There is extensive European Union legislation governing consumer protection, product safety and product liability implemented at national level in all Member States. For example, The General Product Safety Directive 2001/95/EC (the “**GPSD**”) is designed to apply a high level of product safety for all products. It applies to any product intended for consumers or likely to be used by consumers placed on the EU market in so far as there are no specific EU provisions with the same objective governing the safety of the products concerned. The GPSD provides that producers are obliged to place only safe products on the market. In determining whether a product is considered safe under the GPSD, various factors are taken into account including the following: (i) national safety standards, (ii) guidelines from the European Commission on product safety, (iii) product safety codes of good practice in force in the sector concerned, (iv) the state of the art and technology and (v) reasonable consumer expectations concerning safety. The GPSD further provides that national governments must appoint local authorities to carry out market surveillance to ensure that safety standards are implemented.

Besides, the Directive 1999/5/EC on Radio and Telecommunications Terminal, which shall be repealed and replaced by the Directive « RED » n°2014/53/EU from 13 June 2016, applies to the products that use the radio frequency spectrum, e.g. mobile handsets. It specifies in detail the essential requirements the product must meet in order for the manufacturer to affix the CE marking. The essential requirements entail ensuring the health and safety of users, as well as protection requirements with respect to electromagnetic compatibility, and an efficient use of the spectrum so as to avoid harmful interference. Technical documents must enable the assessment of the conformity of the product with the requirements of the Directive, and the copies of which shall be kept by the manufacturer or their authorized representatives in the European Community for the period of ten years after the last product has been placed on the market. Once the necessary steps have been successfully completed, the logo must be affixed to the product.

EU legislation restricts the use of hazardous substances in electrical and electronic equipment. Since 2 January 2013, the RoHS Directive 2011/65/EU from 8 June 2011 lays down rules on the restriction of the use of six hazardous substances in electrical and electronic equipment (EEE) with a view to contributing to the protection of human health and the environment, including the environmentally sound recovery and disposal of waste EEE. For this purpose, the Directive states that Member States shall ensure that new electrical and electronic equipment put on the European market does not contain lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls (PBB) or polybrominated diphenyl ethers (PBDE). The Directive rules the list of restricted substances and their maximum concentration values tolerated by weight in homogeneous materials.

With respect to the Directive, Member States shall also ensure that when placing EEE on the market,

- manufacturers ensure that it has been designed and manufactured in accordance with the requirements set out in the Directive (i);
- importers place only EEE that complies with this Directive on the Union market (ii).

Consumer Protection

The Liability for Defective Products (the “**Directive 85/374/EEC**”), a directive issued by the Council of the EU and published on 7 August 1985, states that producers shall be held liable for damage caused by defects in their products to their product consumers. The Directive 85/374/EEC is important for all sellers in the EU as any defect in the goods leading to damage, defined as death or personal injury or damage to any item of property, can give rise to liability on parties in the chain between the manufacturer and sale of the defective goods.

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Import licensing

All Members States of the EU have adopted a common trade policy towards imports from third countries. The EU has a relatively liberal import regime. In general, import licensing is not required for products entering an EU Member State, except for certain categories of sensitive products like agricultural goods, tobacco, weapons, etc., products governed by quantitative restrictions (i.e. quotas) and surveillance. Currently no license of importation is required for mobile handsets.

Import duties

One of the most important aspects of the EU trade policy is that the EU is a customs union. The same import duties are charged on imports from third countries regardless of the country of entry. The main principles of custom law are regulated at EU level. If tariff is common to all EU members, VAT rates vary from one state member to another. As the Group sells its product FOB, it is not responsible for payment of import duties.

Excise duties

The EU applies a tax on a limited numbers of goods such as alcohol, tobacco, fuel. Those Excise duties are specific to each good. No Excise duties are levied currently on mobile handset.

Tariff

Products imported into the EU are distinguished according to the 8-digit level of the Combined Nomenclature which lists the duty rates applicable to each product. The customs authorities in all 27 Member States must apply the Common Customs Tariff on imports. The tariffs vary from 0% to 45%, depending of the corresponding good and its country of origin. Mobile handsets benefit from a 0% rate on current regulation.

Non-Tariff measures

In addition to tariffs, the EU has a tradition of making significant use of various non-tariff measures to restrict imports. Non-tariff barriers include not only quantitative restrictions but also regulatory barriers. Specific examples of the quantitative restrictions include import quotas, voluntary export restraints and licensing, while examples of the regulatory barriers include prohibitions for health and safety reasons. Anti-dumping, anti-subsidy and safeguard measures are another important form of trade instruments that lead to restrictions on trade and generally affect the whole European community. Mobile handsets are not subject to non-tariff measures. Therefore, the Group has not been subject to any non-tariff measures. It is impossible to know if EU will establish such non-tariff measures on mobile handset in the future. If EU implements non-tariff measures on mobile handset the Group could be limited in the infiltration into EU markets.

VAT

VAT is an indirect tax on goods and services which is borne by the end consumer and applied to the value added at each stage of the supply chain. The EU adopted a common regulation on VAT taxation, but each State member determines its own rate. Because this tax is borne by the end consumer the rate variation does not impact business exchanges. VAT is due by the local entities that import the good. Because the Group sells its products FOB, it has no VAT obligations.

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Anti-dumping

Pursuant to the Council Regulation (EC) No. 1225/2009 of 30 November 2009 (the “Council Regulation”), the European Commission is responsible for investigating into allegations of dumping within the EU. It usually conducts an investigation either upon receipt of a complaint from producers of the product within the EU or on its own initiative. The investigation must show that (i) there is dumping pursuant to article 2 of the Council Regulation by exporting producers in the country/countries concerned; (ii) material injury has been suffered by the industry concerned within the EU; (iii) there is a causal link between the dumping and injury found; and (iv) the imposition of measures is not against the interest of the EU.

If the investigation comes to the conclusion that the above four conditions have been met, EU authorities may decide to impose anti-dumping measures on imports of the product concerned. These measures can be duties or price undertakings. The duties are paid by the importer in the EU and collected by the national customs authorities of the respective EU countries. Exporting producers may submit to the European Commission “undertakings” agreeing to sell at a price adequate to eliminate the injurious effects of the dumping, or to cease exports at dumped prices. If their offer is accepted, anti-dumping duties will not be imposed on imports. The European Commission is not obliged to accept an offer of an undertaking.

To the best information and knowledge of our Directors, we are not aware of any anti-dumping measures imposed on imports of mobile handsets into EU. Any of such measures, if imposed, would be borne by our customers who are the importer of the products.

US LAWS AND REGULATIONS

Jurisdictional Limitations on Liability

As advised by our legal advisers as to the U.S. laws, since our Group does not sell products directly to overseas retail consumers but instead manufactures products according to our customers’ requirements and specifications and deliver our products to our customers primarily on free-on-board terms or ex-factory terms, our Group is not exposed to liabilities with respect to the U.S. law and regulations set out below for reasons set out in more detail below.

The Due Process Clause of the Fourteenth Amendment to the U.S. Constitution (the “**Fourteenth Amendment**”) allows a state to exercise personal jurisdiction over a non-resident defendant only if that defendant has certain minimum contacts with the forum state. The two broad jurisdictional concepts that must be considered when analyzing whether personal jurisdiction exists are “general” and “specific” jurisdiction. As explained below, our Company likely will not be found to have sufficient contacts to satisfy either concept. “General jurisdiction” requires a defendant to defend a lawsuit unrelated to its contacts with a forum if the defendant has had continuous and systematic general business contacts with the state in the U.S. Alternatively, a court may have “specific jurisdiction” over a non-resident defendant when that defendant has purposefully directed its activities at residents of that state, and the litigation results from alleged injuries that arise out of or relate to those activities.

More specifically, with respect to general jurisdiction, our legal advisers as to U.S. laws are of the opinion that our Company will likely not be considered to have the kind of continuous and systematic general business contacts with a U.S. forum needed to support the exercise of general jurisdiction. To be subject to general jurisdiction, a defendant must have a continuous and systematic business presence in the forum state. The continuous and systematic contacts test is a difficult one to meet, requiring extensive contacts between a defendant and a forum. Our Company is not registered nor licensed to do business in any state in the U.S.; does not have any offices or places of business in the U.S.; does not own or lease real property in the U.S.; does not maintain any bank accounts in the U.S.; and does not have any employees in the U.S. Most significantly, our Company does not sell directly to any consumers in the U.S.

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The exercise of specific jurisdiction under the Fourteenth Amendment is proper only where the defendant's contacts proximately result from actions by the defendant itself that create a "substantial connection" with the forum state. A plaintiff seeking to exercise personal jurisdiction over a defendant must establish that the defendant took affirmative action, purposefully targeted at the forum state, with the intent to serve that market, rather than the U.S. market as a whole. Thus, while our Company's products are indeed exported to the North America and therefore placed into the U.S. stream of commerce, our Company does not purposefully direct any products to any particular U.S. state because it does not have a direct relationship or contract with any U.S. distributor, nor does our Company have any role in creating or controlling the distribution network in the U.S. for our products. Taken together with the fact that our Company completes all of our transactions in China and/or Hong Kong and does not exercise control over the destinations of our products, our legal advisers as to U.S. laws are of the opinion that our Company likely will not be seen as purposefully availing ourselves of any U.S. forum state. A more detailed analysis as to the inapplicability of the U.S. laws to our Company in respect of (i) importation; (ii) product safety; (iii) anti-dumping; and (iv) import tariffs and duties are set out below.

Importation

Our Company does not sell products directly to retail customers in the U.S., and therefore it does not import products into the U.S. Instead, our Company delivers our products to our overseas customers located outside the territorial U.S. primarily on free-on-board terms (at PRC ports or Hong Kong ports) or ex-factory terms in accordance with our overseas (non-U.S.) customers' specifications. Under these circumstances, our legal advisers as to U.S. laws are of the opinion that the U.S. laws and regulations relating to import would not apply to our Company directly.

Our Company does sell to other companies who distribute our mobile handsets within the United States and offer them for import at U.S. ports of entry. These companies are then responsible for compliance with all applicable U.S. regulations. *See* 47 C.F.R. § 2.909(b); 19 U.S.C. § 1484. As otherwise indicated herein, our Company does facilitate compliance with some U.S. import regulations, such as certification by the FCC.

Our purchasers who seek to offer our mobile handsets for import into the United States must accurately declare these mobile handsets to the U.S. Customs and Border Protection and indicate compliance with rules issued by the FCC. *See* 19 U.S.C. §§ 1484, 1592. In particular, they must show that our mobile devices have been tested, certified and issued an FCC device ID number for all identical devices. 47 C.F.R. §§ 2.803, 2.1204.

Product Safety

In the United States, there are two separate and distinct bodies of law that govern product safety for the protection of end users: product liability law and product safety regulations. The first, products liability law, governs private litigation of product accidents. Exposure to United States products liability law is broad and allows consumers to sue the party who designed, manufactured, sold, or supplied an offending product. Based upon the analysis of personal jurisdiction, which is set forth above, our legal advisers as to U.S. laws believe that it is unlikely that our Company can be subject to United States jurisdiction and therefore will likely not be held to U.S. standards for products liability law. Nevertheless, for a full understanding of the issues faced by our Company, the following is an overview of United States' laws as it relates to products liability.

A. Products Liability Background

There are four basic theories of recovery when dealing with a product alleged to be defective: strict products liability, negligence, breach of warranty, and tortious misrepresentation. Strict products liability is generally the most common cause of action asserted in lawsuits involving allegedly defective products. This is

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because, unlike negligence, strict products liability wrongs do not depend on the degree of carefulness by the defendant. The analysis depends solely on the product and whether it was defective at the time it left the hands of the manufacturer.

Negligence actions, on the other hand, require a plaintiff to show that (1) the defendant owed the plaintiff a duty of due care, (2) the defendant breached that duty by furnishing a defective product, and (3) the defendant's breach caused the plaintiff's injury. The duty to exercise reasonable care involves every phase of getting the product to the public, from its design to its packaging and by the failure to provide adequate instructions for its safe use.

The breach of warranty cause of action is governed by contract law. The law that governs the sale of goods is Article 2 of the Uniform Commercial Code (the "UCC"). The UCC has been adopted in every state of the U.S. Under the UCC, there are two kinds of warranties: express and implied. An express warranty can be created by a representation by the seller, or by showing a sample of a product to the buyer where the buyer reasonably assumed that a second shipment of the same quality as the first would be provided. An implied warranty, on the other hand, is presumed to exist unless the buyer clearly and unambiguously disclaims it in writing as part of the sales agreement.

Finally, misrepresentation claims are similar to warranty in that it seeks to hold a party liable for misrepresenting a material fact about the product which causes either damage or injury. The rules governing misrepresentation claims can be either statutory, and come in the form of consumer protection state laws, or judge-made rules, both of which vary from jurisdiction to jurisdiction in the U.S.

B. Product Safety Regulatory Background

The second body of law is product safety law. The law of product safety is regulatory law and it is administered primarily by the Consumer Product Safety Commission (the "CPSC"), an administrative agency of the United States federal government that regulates certain classes of products sold to the public. The CPSC has jurisdiction over the safety and labeling of consumer products pursuant to three major statutes: (i) the Consumer Product Safety Act (the "CPSA"), (ii) the Consumer Product Safety Improvement Act (the "CPSIA"), and (iii) the Federal Hazardous Substances Act (the "FHSA").

The CPSIA, passed in 2008, constituted a significant overhaul of consumer product safety laws in the United States and was designed to enhance federal and state efforts to improve the safety of all products imported into or distributed within the United States. Products imported into the U.S. which fail to comply with CPSIA's requirements are subject to confiscation and the importer and/or distributor in the U.S. is subject to civil penalties and fines, as well as possible criminal prosecution. However, while the CPSC works closely with U.S. custom agents, its jurisdiction does not extend beyond the territorial limits of the United States.

Under the CPSIA, a "general conformity certification" is required for any consumer product imported into the U.S. that is subject to a consumer product safety rule under the CPSA or is subject to any other rule, standard, regulation, or ban issued by the CPSC pursuant to the CPSA or any other statute. The requirement applies to all manufacturers and importers of goods. Those parties must certify that their products comply with all applicable consumer product safety rules and similar rules, bans, standards, and regulations under any law administered by the CPSC. Such laws include the CPSA, Flammable Fabrics Act, FHSA, and Poison Prevention Act and must be furnished to United States Customs and to the CPSC upon request.

The FHSA regulates the safety warnings for "hazardous substances" (as defined in the FHSA) which are required to bear: (i) cautionary labeling to warn the consumer of the hazard(s) associated with the use of the product so as to enable the consumer to safely use and store the product; (ii) first aid instructions where applicable; and (iii) the statement, "Keep out of reach of children."

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While regulatory actions can be directed against entities involved in the chain of production and distribution of products, including foreign-based manufacturers, the court in which the claim is brought must possess proper jurisdiction over a non-resident defendant. Our legal advisers as to U.S. laws are of the opinion that our Company, for the same reasons as described above, will likely not have exposure with respect to product safety.

C. Particular Safety Requirements for Mobile Handsets

Most specific regulatory requirements applicable to mobile handsets are issued and enforced by the FCC. The FCC requires that all mobile handsets be tested and certified to comply with various radiofrequency regulations, 47 C.F.R. §§ 15.201, 15.212, as well as for radiation emission limits, 27 C.F.R. §§ 2.902, 2.908, 2.1091. Currently, the FCC limits public radiation exposure from mobile handsets to a Specific Absorption Rate (“SAR”) level of 1.6 watts per kilogram (1.6 W/kg). 47 C.F.R. §§ 2.1091

The Food and Drug Administration also has authority pursuant to the Radiation Control for Health and Safety Act of 1968 to regulate all electronic devices for emission of radiation, including mobile handsets. *See* 21 U.S.C. §§ 360hh *et seq.* However, the FDA has not issued a specific regulation to control the radiation emission of mobile handsets, relying instead on the FCC standard. *See* U.S. Governmental Accountability Office, Telecommunications – Exposure and Testing Requirements for Mobile Phones Should Be Reassessed (July 2012), available at <http://www.gao.gov/assets/600/592901.pdf>; Laura Grasso, Cellular Telephones and the Potential Hazards of RF Radiation, 3 Va. J.L. & Tech. 2, 20-24 (1998).

There are also specific rules that apply to various components of mobile devices. In particular, batteries are regulated by several acts and regulations. For example, the U.S. has restricted the import and use of mercury in all batteries through the Mercury-Containing and Rechargeable Battery Management Act of 1996 (the “**Battery Act**”). The Battery Act added specific uniform federal regulations for disposition of batteries which replaced the state-by-state ad hoc regulation for disposing of Ni-Cd rechargeable batteries and other common rechargeable batteries. (*See* 42 U.S.C. §§ 14322–23; *see also* *Universal Waste Rule (Hazardous Waste Management System; Modification of the Hazardous Waste Recycling Regulatory Program)*, 60 FR 25492-01 (May 11, 1995)).

The CPSC has jurisdiction to enforce some of these requirements that may apply to mobile handset batteries, particularly those under the FHSA. However, the CPSC has not issued specific rules applicable to mobile handsets.

D. California Specific Statutes and Regulations

In addition to the regulatory scheme imposed at the federal level and managed by the CPSC, state regulations may also control the distribution of imported products into the U.S.

California’s Safe Drinking Water and Toxic Enforcement Act of 1986 (commonly known as the “**Proposition 65**”) requires that a warning be given before any manufacturer or distributor knowingly exposes anyone in California to any of approximately 800 chemicals identified by the state as a carcinogen and/or a reproductive toxicant. Cadmium, cobalt, lead, lead compounds, mercury, nickel and various phthalates are among the chemicals so regulated. This statute and the related regulations apply to all consumer products sold in California, and may include mobile device batteries containing mercury, nickel or other regulated chemicals. The statute requires specific warnings to consumers for any exposures that may occur from handling a product. Proposition 65 may be enforced by the California governmental authorities or by private citizens and may result in fines of up to US\$2,500 per day, per each item sold, in addition to the payment of all legal fees and expenses incurred by the enforcer.

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As with federal regulatory actions, state regulations can be directed against entities involved in the chain of production and distribution of products, including foreign-based manufacturers, as long as the state court possess proper jurisdiction over a non-resident defendant. Our legal advisers as to U.S. laws are of the opinion that our Company, for the same reasons as described above, will likely not have exposure with respect to state specific regulations.

Anti-Dumping

Because our Company does not directly import any products into the United States, our legal advisers as to U.S. laws are of the opinion that the U.S. anti-dumping laws do not apply directly to our Company.

There are a range of trade laws in the United States which address the issue of imports which may injure or threaten U.S. industries. Under anti-dumping laws (Title VII of the Tariff Act of 1930), the USITC (U.S. International Trade Commission), conducts investigations into whether dumping or subsidization is occurring in products brought into the U.S. market.

Whether an item is being dumped or not is assessed on the basis of whether it is being sold at less than fair value in the United States. This means that it is being sold below the producer's sales price in its home market, or at a price which is lower than the cost of production. Subsidization occurs when a government provides countervailable financial assistance to benefit, production, manufacture and/or export of a good. There is first an assessment made by the Commerce Department that dumping or subsidization is occurring, together with a calculation of the estimated margin of dumping or amount of subsidy, and then the USITC is called upon to determine whether or not there is a material injury or threat to U.S. industry. If such a threat is found, Commerce will issue an antidumping duty and/or countervailing duty order. When such an order is imposed, U.S. Customs and Border Protection is instructed to assess special duties on products subject to the order at the time of their import.

After an order has been issued, there is an automatic "sunset" review, no later than five years after the order is issued, which is conducted to assess whether a revocation of the order would lead to the continuation or recurrence of dumping or subsidies and of material injury within a reasonably foreseeable time.

In addition to anti-dumping and subsidization investigations, there is a special China safeguards investigation which may also be conducted by USITC. Under this law, the Commission determines whether articles from China are being imported into the United States in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic producers of like or directly competitive products. If the Commission makes an affirmative determination, it proposes a remedy. The Commission sends its report to the President and the U.S. Trade Representative. The President makes the final remedy decision

Import Tariffs and Duties

Because our Company does not directly import any products into the United States, our legal advisers as to U.S. laws are of the opinion that the U.S. tariff regulations do not apply directly to our Company.

Currently the United States does not impose any duties on any mobile handset devices, other than those derived directly or indirectly from Cuba or North Korea. *See* U.S. International Trade Commission, Harmonized Tariff Schedule, Sect. XVI, Ch. 85, ¶¶ 8517.11.0000, 8517.12.00.

There are a number of provisions of U.S. trade law which may allow or result in modification of these duties. While provisions that were specific to the PRC have now expired, *see* 19 U.S.C. §§ 2451, 2451a, 2451b(c), sections of general application may still be relevant. Sections 201 through 204 of the Trade Act of

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1974 (the “**Trade Act**”), 19 U.S.C. §§ 2251 *et seq.*, provide the authority and procedures for the U.S. President to take various actions to facilitate a domestic industry’s adjustment to import competition. For example, if the International Trade Commission determines that an article is being imported in such increased quantities as to cause substantial injury or threaten domestic producers of similar products or products in direct competition with the imported article, the U.S. President may make positive adjustments to import competition and provide greater economic and social benefits to the domestic industry such as increase or impose a duty, or a tariff rate quota.

TAIWAN LAWS AND REGULATIONS

Importation

In accordance with Telecommunications Act (the “**TCA**”), importation of mobile phones requires prior National Communications Commission (the “**NCC**”) approval as to each brand and model to be imported. The quantities of devices of each model imported by model number shall be reported to the Ministry of Transportation and Communications for its reference.

Before a new model of mobile phones may be imported into Taiwan, a qualified importer shall apply for import permit pursuant to the Administrative Regulations on the Controlled Telecommunications Radio-Frequency Devices (the “**CTRFD**”). Manufacturers or importers wishing to import mobile phones into Taiwan shall first apply for an approval certificate issued for each brand name and model number of mobile phones. As such, either the Company as the manufacturer or its customer in Taiwan as the importer shall apply for the approval certificate. Upon granting, a compliance approval certificate will be issued by the NCC to the particular model of mobile phones approved.

Once a compliance approval certificate is issued by the NCC, massive importation later on of the same model mobile phones will not require separate import permit provided that import permit will be necessary for different brand or different model. The import permit may be applied for by an offshore manufacturer for the offshore manufacturer to authorize importation by other Taiwan importers according to the CTRFD.

For importation of semi-end products, materials or parts of mobile phones which are regarded as a controlled telecommunications radio-frequency device, the same procedure as importing mobile phones shall be followed.

Product Safety

Under the TCA, before mobile phones may be imported and distributed into Taiwan, each model of the mobile phones shall be certified to have conformed to the technical specifications in accordance with technical specifications prescribed and approved by the NCC. Any import or distribution of mobile phones failing to comply with such requirements will be subject to a fine of not less than NT\$30,000 and not more than NT\$300,000. The fine are payable by the importer or distributor of mobile phones. The Company as a manufacturer shall however not be treated as an importer or distributor under Taiwan laws, and thus it is not under any obligations to pay any fine.

The technical specification requirements for 4G, 3G, and 2G mobile phones are prescribed in Administration of Mobile Broadband Businesses Mobile Station, Regulations for Administration of the Third Generation Mobile Communications Business, and Technical Specifications for GSM900 and DCS1800 Mobile Phones respectively. According to PLMN01 GSM900 and DCS1800 Mobile Equipment Technical Specifications as amended 9 May 2012, the Head and Trunk SAR of handsets shall not exceed 2.0Watt/Kg, and a label of such limit and the actual SAR testing value shall be placed on handset, carton and in the user’s manual. The model approval process and documents required are prescribed in the Compliance Approval

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Regulations of Telecommunications Terminal Equipment (the “**CARTTE**”). According to Article 16 of the **CARTTE**, the certificate holder shall refer to the label format printed on the certificate to produce type approval labels or DoC labels, and affix or emboss the labels on the certified equipment before it is offered for sale.

Consumer Protection

Offshore designers and manufacturers of mobile phones for distribution in Taiwan shall be regarded as business operators under the Consumer Protection Law (the “**CPL**”), and therefore be jointly liable together with the associated Taiwan business operators for damages sustained by consumers if the mobile phones designed or manufactured are not in compliance with the requirements under the **CPL**.

Mobile phones, including all end products, semi-end products, materials or parts, manufactured for importation into Taiwan are required to meet and comply with the contemporary technical and professional standards of the reasonably expected safety pursuant to the **CPL** and Enforcement Rules of **CPL**. For any possible danger to lives, bodies, health or properties of consumers which may be resulted from using or possessing a product, a warning and the methods for emergency handling of such danger shall be labeled at a conspicuous place. Business operators violating the safety and warning requirements and thus causing injury to consumers or third parties shall be liable therefor.

For goods imported or distributed that will endanger the safety and health of the consumers, or goods imported or distributed without conspicuous warning labels or descriptions of the methods for emergency handling of such danger, the relevant business operators shall immediately recall such goods according to the **CPL**.

When an imported commodity is introduced for sale in Taiwan, the imported goods shall be accompanied with labels and instructions in Chinese, the contents of which shall not be less comprehensive than the contents of such labels or pamphlets required in the place of their origin according to the **CPL**.

Business operators shall ensure the accuracy of the contents of advertisements and their obligations to consumers shall not be less than what is stated in the advertisements. If a warranty is given, such warranty shall be in writing with contents of warranties, period of the warranties and the method for calculating commencement of such warranty period, name and address of the manufacturer or distributor, and date of the transaction, etc. stated. Failure to comply with the warranty requirements, will subject the business operators fines pursuant to the **CPL**.

When in the opinion of the government agency that the goods or services provided by business operators have endangered or will endanger the lives, bodies, health or property of consumers, such government agency may order such business operators to immediately cease the design, production, manufacturing, processing, importation, distribution of such goods or the rendering of such services, or take other necessary measures.

As the use of smartphones becomes popular in Taiwan, there is dramatic increase of consumer disputes arising telecommunication services rendered. At the end of 2013, **NCC** set up the Telecommunication Consumer Mediation Center (the “**TCMC**”) to receive and mediate complaints of consumers in order to secure protection of interests of consumers. For disputes among mobile phone manufacturers, distributors and consumers, the submission of such disputes to the **TCMC** is recommended to avoid unnecessary litigation.

As the Company designs and manufactures mobile phones for distribution in Taiwan, it shall be regarded as a business operator for the purpose of the **CPL** and is subject to the obligations and liabilities set out thereunder.

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Anti-dumping

Importation of any product into Taiwan at a price under its normal value and thereby causing or threatening to cause material injury to domestically produced products or creating material hindrance to the establishment of the domestic industry concerned shall be subject to anti-dumping duties, in addition to customs duties, pursuant to the Customs Act, Foreign Trade Law and the Regulations Governing the Implementation of the Imposition of Countervailing and Anti-Dumping Duties (the “CADD”).

The term “normal value” referred to above means the comparable domestic selling price in the country of exportation or origin in the ordinary course of trade. In the absence of such a domestic selling price, the comparable selling price exported to an appropriate third country, or the constructed price consisting of the cost of production in the country of origin plus a reasonable amount for administrative, selling, and other expenses, and normal profit will be the basis for comparison. The determination of “causing or threatening to cause material injury” will be assessed pursuant to the CADD.

An anti-dumping complaint shall be filed with the Ministry of Finance (the “MOF”). The MOF will take charge to investigate on the comparison between normal price and selling price, and the International Trade Commission will be responsible to determine whether any injury is sustained. The final determination on whether anti-dumping duties should be imposed is to be rendered by the Tariff Commission. The whole processes will take not more than 260 days which may be extended up to an additional 130 days if necessary.

As the characteristic type and size of industries and companies in Taiwan, antidumping matters are focused on steal products, paper products, shoes, cement, chemical and other products. The imported products which are now subject to antidumping duties, according to MOF’s announcements, are towels, shoes and boots, benzoyl peroxide, rongalite, portland cement, SUS 300 series flat-rolled products of stainless steel. There is no precedent existed with respect to investigation or antidumping duties imposing against end or semi-end products of mobile phones so far. In the circumstances, the likelihood that the mobile phones manufactured by the Company shall be subject to anti-dumping measures in Taiwan seems remote so far.

Import Tariff and Business Tax

Importation of mobile phones shall be subject to business tax. Pursuant to the Value-added and Non-value-added Business Tax Act, business tax levied on imported goods will be collected by Customs at the time of importation and calculated based on the total of taxable value and import tariffs.

In addition to the business tax, pursuant to the Foreign Trade Act, a trade promotion service fee will be payable for imported goods at 0.04% based on cost, insurance and freight value of the imported goods.

The business tax and trade promotion service fees are payable by the importer of mobile phones. The Company as a manufacturer shall however not be treated as an importer under Taiwan laws, and thus it is not under any obligations to pay any business tax and trade promotion service fees.

THAI LAWS AND REGULATIONS

Regulations on Import of Mobile Phones

The Radio Communications Act B.E. 2498 (as amended) imposes a general prohibition on manufacturing, possessing, using, exporting, importing, or trading any radio communication equipment, unless one has been granted a license to engage in such activity by the authorized licensing officer, or unless a the Minister has promulgated a general licensing exemption to engage in some or all of the aforementioned activities, in respect of a particular category of equipment (section 6). Equipment that has type approval can be

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imported, exported, and traded freely; otherwise, a license would be required. If particular equipment to be imported into Thailand does not yet have type approval, it would be necessary for the first importer to become licensed to import and trade such equipment, and to complete the type approval process. Applications for type approval are to be made by manufacturers, dealers, or importers of the equipment, who are responsible for such equipment, be they individuals of Thai nationality or juristic persons under Thai law. As a foreign company, however, the Company is not eligible to apply for type approval. So, type approval would need to be obtained by another party that is eligible to apply, such as a Thai importer or dealer. In the absence of type approval, licence requirements would be broadly applicable, as noted above. NBTC administers the type approval process. Such is granted after sample equipment (e.g. a mobile phone) undergoes testing for compliance with the applicable technical standards, as adopted by the NBTC.

Product Safety and Consumer Protection

As noted, mobile phones must meet the applicable standards specified above. In addition, Thailand has a number of laws relevant to product safety and consumer protection. Beyond the Civil and Commercial Code, which provides for, *inter alia*, general tort liability under its Section 420, product liability and dangerous goods are handled under three primary laws. These include the Consumer Case Procedure Act B.E. 2551 (as amended), the Unsafe Goods Liability Act B.E. 2551, and the Consumer Protection Act B.E. 2522 (as amended).

Under the Consumer Case Procedure Act, in a case in which a consumer sues a business operator for a defects in particular goods, if the court determines that such defects existed at the time of delivery of such goods and that it is impossible to repair the goods to normal working condition, or if despite being repaired, the goods may still cause danger to life, body, or health of a consumer using such goods, the court has the power to order the business operator to replace the goods for the consumer instead of repairing them, taking into account the nature of the goods that may be replaceable, the behavior of the business operator, as well as honesty of the consumer (section 41). The law also provides a mechanism by which adjustment can be made if the consumer has benefited from the use of the goods and has caused damage to the goods. In addition, if the business operator sued is not the producer or importer of the goods, the court is to issue an order joining the producer or importer to the case, and the court has the power to hold such party jointly liable for the obligation owed to the consumer by the first-mentioned business operator.

If the act upon which the complaint is based arises from the business operator's willful act to unfairly take advantage of the consumer or intent to cause damage to the consumer, or with gross negligence, indifference to damage to be caused to the consumer, or act in breach of responsibility as a professional or business person who is usually trusted by the public, then the court also has the power to award punitive damages, in addition to actual damages as awarded by the court, as may be deemed appropriate, taking into account such circumstances as damage suffered by the plaintiff, benefit received by the business operator, the financial condition of the business operator, relief by the business operator from the damage, and the consumer's contribution to the damage (section 42). The court has the power to determine punitive damages up to two times the actual damages (as determined by the court). However, if the actual damages determined by the court are THB50,000 or less, the court has the power to determine punitive damages up to no more than five times the actual damages.

In addition, if the court makes a determination that particular goods on the market may be dangerous to the life, body, or health of consumers, and no other preventative measures are available, the court can order a business operator to announce and recall the dangerous goods, at the business operator's expense, for correction or replacement (section 43). If this is not possible, the court can order the business operator to pay the price of the goods, taking account the condition of the goods at the time of the recall, and the honesty of the business operator. The court can also order the business operator not to sell any remaining goods of concern,

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and to withdraw such goods not yet sold to consumers, until they have been corrected or replaced so that they are safe. If this is not possible, the court may issue an order prohibiting the business operator from producing or importing such goods and, if it is suspected that the business operator may continue offering the remaining goods for sale, order the business operator to destroy the remaining goods.

Under the Unsafe Goods Liability Act, all business operators can be held jointly liable for damages suffered by a party, from unsafe goods sold to the consumer (section 5). This applies regardless of whether the damages arise due to intention and/or negligence of the business operators. There are certain exceptions for abnormal/inappropriate use or storage of the goods, and if the damaged party had knowledge that the goods were unsafe (sections 6–7). In addition to compensation under relevant sections of the Civil and Commercial Code, the court can award compensation for damage to mental health, body, health, and/or hygiene of the damaged party (section 11). In the event the injured party dies, such injured party's husband, wife, children, or descendants shall have rights to compensation for damage to mental health. Further, if it is found that the business operator has produced, imported, or sold goods (i) despite being aware that the goods were unsafe, (ii) whilst being unaware that the goods were unsafe, due to gross negligence, or (iii) despite being aware that the goods were unsafe after production, but importing or selling the unsafe goods without taking appropriate action to prevent damage from occurring, then the court can also award punitive damages up to twice the actual damages. In considering this, the Court is to weigh a variety of factors, including the severity of damage sustained by the injured party, the business operator's awareness of the danger of the goods, the time period over which the business operator concealed the danger of the goods, the actions taken by the business operator after becoming aware that the goods were unsafe, the benefit received by the business operator, the business operator's financial condition, the business operator's efforts to alleviate the harm that occurred, and the responsibility of the injured party with respect to the injury.

The Consumer Protection Act provides five broad categories of protection for consumers — the right to receive correct and sufficient information and description as to the quality of goods or services, the right to enjoy freedom in the choice of goods or services, the right to expect safety in the use of goods or services, the right to a fair contract, and the right to have an injury considered and compensated according to law (section 4). To this end, goods must be labelled accurately, the labels must contain the information required by the Act, and the labels otherwise conform to the requirements of the Act (sections 30–35). Advertisements must not be unfair to consumers, must not cause damage to society as a whole, and must otherwise meet the requirements of the Act (sections 22–29). There are also requirements for consumer contracts and receipts, where applicable (sections 35 bis-35 novem). Among these, if a business operator sells any goods or provides any service with a promise to provide a guarantee contract for the consumer, such guarantee contract must be made in writing, signed by the business operator (or its agent), and delivered to the consumer together with the goods or services (as applicable).

The Consumer Protection Board is to consider complaints it receives from consumers, has the authority to conduct inspections of goods and/or places of business, and is empowered to order business operators to prove claims they have made (sections 10, 20, & 28). In the case of breach of any of the requirements of the Act, the Consumer Protection Board can order business operators to take corrective action. The Consumer Protection Board may also make announcements or otherwise publicise information on goods or services that may cause damage to consumers or that are prejudicial to their rights, including the names of such goods and the names of the responsible companies (section 10). In addition, when there is reasonable cause to suspect that any goods may be harmful to consumers, the Consumer Protection Board may order the business operator concerned to carry out testing or, if the business operator fails to comply or otherwise delays, without justification, arrange for testing itself, at the business operator's expense (section 36). If the result of the testing indicates that the goods may be harmful to consumers, and if the harm cannot be prevented by labelling, the Consumer Protection Board can prohibit the sale of such goods and/or can order the business operator to modify the goods. In the event the goods cannot be modified or if the Consumer Protection Board doubts that the business operator would willingly cease selling the goods, it may order the business operator to destroy the goods, or

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arrange for their destruction itself, at the business operator's expense. In cases of necessity and urgency, the Consumer Protection Board can prohibit the sale of goods, pending results of testing. Whenever the Consumer Protection Board acts to prohibit the sale of particular goods, such order is to be published in the Government Gazette. Where the Consumer Protection Board thinks fit to institute legal proceedings in response to infringement of a consumer's rights, or in response to receipt of a complaint from a consumer whose right was infringed, and the Consumer Protection Board is of the opinion that the institution of such legal proceedings will be beneficial to the consumers as a whole, there is a process by which the Consumer Protection Board can initiate civil and or criminal proceedings (section 39). Associations with appropriate objectives can also initiate such proceedings (sections 40–41). The Act also specifies various criminal penalties for a business operator's non-compliance with different sections of the Act; these include fines and/or imprisonment.

The Civil and Commercial Code, the Consumer Case Procedure Act, the Unsafe Goods Liability Act, and the Consumer Protection Act do not contain exemptions for foreign business operators with no presence in Thailand. Moreover, the Penal Code provides that whoever commits an offense within the Kingdom of Thailand shall be punished according to the law (section 4). It goes on to provide that whenever any offense is partially committed within the Kingdom of Thailand, or by the nature of the Commission of which, the consequence resulting therefrom should occur within the Kingdom of Thailand, or it could be foreseen that the consequence would occur within the Kingdom of Thailand, it shall be deemed that such offense was committed within the Kingdom of Thailand (section 5). Thus, the Company is subject to these laws.

Import Tariff on Mobile Phones (HS Code 8517.12)

For goods imported under HS code 8517.12 (“telephones for cellular networks or for other wireless networks”), the Customs Tariff Decree B.E. 2530 sets a ceiling rate of 5%, which aligns with the basic WTO rate. However, by notification of the Ministry of Finance, goods falling within this HS code are exempt from import duty, in line with the WTO Information Technology Agreement, to which Thailand is party. Import duty exemption for goods imported under this HS code is also provided under a number of Free Trade Agreements (“FTAs”), such as the ASEAN-Australia-New Zealand FTA, the ASEAN-China FTA, the ASEAN-India FTA, the ASEAN-Japan FTA, the ASEAN-Korea FTA, the ASEAN Trade in Goods Agreement, the Agreement on the ASEAN Industrial Cooperation Scheme, the Thai-Australia FTA, the Agreement on Exemption and Reduction of Customs Duty for the Goods Originating in Japan, the Thai-New Zealand FTA, and the Thai-Peru FTA. Where import duty must be paid, such is to be paid by the importer of the goods. Since the Company does not import any goods into Thailand, the Company shall have no obligation under Thai laws to pay any import duty to the Customs Department.

Anti-Dumping Duty on Mobile Phones (HS Code 8517.12)

No antidumping measures are presently effective with respect to goods falling within HS code 8517.12, originating from any country. In the circumstances, the Company is not subject to any antidumping measures on goods falling within HS code 8517.12 under Thai law.

PHILIPPINE LAWS AND REGULATIONS

Philippine laws are generally territorial in nature. This means that Philippine laws are generally applicable only to acts performed within the Philippines. For the Philippine laws to be applicable to the Company, the Company must be “doing business” in the Philippines.

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Doing Business in the Philippines

The phrase “doing business in the Philippines” has a technical meaning and is defined under the Foreign Investments Act of 1991 (“**FIA**”) as follows:

- (a) soliciting orders from customers in the Philippines;
- (b) soliciting service contracts from customers in the Philippines;
- (c) opening domestic offices, whether called “liaison” offices or branches;
- (d) appointing representatives or distributors domiciled in the Philippines or who in any calendar year stay in the country for a period or periods totaling 180 days or more;
- (e) participating in the management, supervision or control of any domestic business, firm, entity or corporation in the Philippines; and
- (f) any other act or acts that imply a continuity of commercial dealings or arrangements and contemplate to that extent the performance of acts or works, or the exercise of some of the functions normally incident to, and in progressive prosecution of commercial gain or of the purpose and object of the business organization.

The phrase “doing business” does not include the following acts:

- (a) mere investment as a shareholder by a foreign entity in domestic corporations duly registered to do business, and/or the exercise of rights as such investor;
- (b) having a nominee director or officer to represent its interests in such corporation; and
- (c) appointing a representative or distributor domiciled in the Philippines which transacts business in its own name and for its own account.

The Implementing Rules and Regulations of the FIA further exclude from the definition of “doing business” the following:

- a. publication of a general advertisement through any print or broadcast media;
- b. maintaining a stock of goods in the Philippines solely for the purpose of having the same processed by another entity in the Philippines;
- c. consignment by a foreign entity of equipment with a local company to be used in the processing of products for export;
- d. collecting information in the Philippines; and
- e. performing services auxiliary to an existing isolated contract of sale which are not on a continuing basis.

In addition to the activities listed as “doing business” in the FIA, Philippine courts apply a two-fold test (the “**Mentholatum Test**”) to determine whether a foreign corporation is “doing business” in the Philippines:

1. The maintenance or continuation within the Philippines of the body or substance of the business or enterprise for which it was organized; and

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2. The existence of acts which imply the continuity of commercial dealings and arrangements, and contemplates, to that extent, the performance of acts or works or the exercise of some of the functions normally incident to, and in progressive prosecution of, the purpose or object of the organization.

Based on the Mentholatum Test, “doing business” in the Philippines covers transactions or series of transactions in pursuit of the main business of the foreign corporation and done with intent to continue such main business in the Philippines.

Thus, should a foreign company such as the Group engages in activities falling under the phrase “doing business” as listed under the FIA or as determined by the Mentholatum Test, it is necessary to secure a primary license from the Philippine Securities and Exchange Commission (“SEC”).

Based on the given factual background, the Group is not “doing business” in the Philippines for the following reasons:

- (1) No active solicitation is made by the Group. It is the Philippine customer that places the purchase orders for the mobile phones;
- (2) The transaction between the Group and the Philippine customer is performed abroad and not within the Philippines because: (a) the products are manufactured abroad, (b) the orders are received and processed abroad, (c) the delivery is to FOB Hong Kong/China port, and (d) the payment is remitted and made abroad. Hence, the entire transaction is performed and consummated outside the Philippines. The fact that the order was initiated in the Philippines on an unsolicited basis does not render the Company as a foreign entity doing business in the Philippines;
- (3) More importantly, the sale of the mobile phones to the Philippine customer is consummated upon delivery by the Group to the Hong Kong/China port. Under Philippine law, ownership is transferred to the Philippine customer upon delivery to the Hong Kong/China port. The “FOB” feature of the sale transaction gives rise to the *prima facie* presumption on the *situs* of transfer of ownership. This *prima facie* presumption is further bolstered by the fact that it is the Philippine customer who arranges the importation of the mobile phones from the Hong Kong/China port to the Philippines. It is also the Philippine customer who obtains all the necessary permits, licenses, and approvals from the relevant Philippine government agencies. Clearly, the intention of the parties is to transfer ownership at the time delivery at the Hong Kong/China port;
- (4) the Group is independent from the Philippine customer. The Philippine customer conducts business under its own name and not as a mere representative of the Company. As mentioned above, the FIA provides that the appointment of a representative or distributor domiciled in the Philippines conducting business under its own name and for its own account does not constitute as “doing business” in the Philippines. The mobile phones are labelled, packaged and sold under the Philippine customer’s brand name. It is the Philippine customer and not the Group that has control over the price, payment terms, and other marketing and distribution strategies of the sale of the mobile phones to Philippine end users. Therefore, the Group has no role in the sale, marketing, and distribution to the end users in the Philippines; and
- (5) In relation to paragraph (4) above, there is no “act” by the Group that would imply pursuing commercial dealings or arrangements in the Philippines. There is no body or substance of the business established in the Philippines since the processing of the order, manufacture of the mobile phones and the delivery to the Philippine customer are all done abroad.

REGULATIONS

Based on the above, it is clear that the Group will not be deemed as “doing business” in the Philippines. Accordingly, Philippine laws are not applicable to the Group. A more detailed analysis as to the inapplicability of the Philippine laws to the Group in respect of (i) importation; (ii) product safety and customer protection; (iii) anti-dumping; and (iv) import tariff and obligation to pay related governmental fees are set out below.

Importation

Pursuant to Act No. 3846 (The Radio Control Law), and Republic Act 7925 (The Public Telecommunications Policy Act of the Philippines), the National Telecommunications Commission issued Memorandum Circular No. 08-08-2004, and Memorandum Circular No. 08-08-2004A to regulate the purchase, sale, lease and/or retail of mobile phone units, parts and accessories thereof, in the interest of the public.

Memorandum Circular No. 08-08-2004A provides two general prohibitions on the importation, sale, and retail of mobile phones to wit:

“No person shall engage in the business of a MPD (Mobile Phone Dealer), MPSD (Mobile Phone Supplier/Distributor) and MPRR (Mobile Phone Retailer/Reseller) without first securing the necessary accreditation/permit/registration certificate from the Commission.”

“No person or entity shall purchase, sell, retail and/or resell mobile phones, including parts and accessories without a valid MPD Permit/MPRR Registration Certificate issued by the Commission.”

The prohibitions show that the obligation to register and obtain permits for the purchase/importation, sale and retail of mobile devices rest with the importer, distributor, dealer of said devices, i.e. such obligation rests on the Philippine customer and not on the Group.

The arrangement between the Group and its Philippine customer is that of a sale whereby the Group ships the mobile phones to the Philippine customer on FOB Hong Kong/China shipping terms; consequently, the mobile phones are considered sold upon delivery to the specified Hong Kong/China port. Thus, by the time the mobile phones enter the Philippine jurisdiction, it is already the Philippine customer that owns the mobile phones and logically this is why it is the Philippine customer and not the Group who is responsible for the importation of the mobile phones. The Group is not engaged in the importation of mobile phones into the Philippines because it has already transferred ownership of the goods before the goods even reach Philippine jurisdiction. Therefore, Philippine regulations on importation are imposed on and are applicable to the Philippine customer and not on the Group.

Product Safety and Customer Protection

Republic Act No. 7394 or the Consumer Act of the Philippines (the “**Consumer Act**”) is the act intended to protect the interest of the consumer, promote his general welfare and to establish standards of conduct for business and industry. Article 97 of the Consumer Act provides that any manufacturer, producer, importer, whether Filipino or foreign shall be liable to consumers for any defect resulting from the design, manufacture, assembly, packaging and insufficient warnings on the use and hazards of the use of any of their products. A manufacturer or importer shall not be considered as liable under the Consumer Act if it can prove that it did not “place the product” in the Philippine market. Article 4 of the Consumer Act, on the other hand, states that when the goods are manufactured, assembled or processed for another person who attaches his own brand name to the consumer products, and then the latter shall be deemed the “manufacturer.” The pertinent provisions of Articles 4 and 97 of the Consumer Act taken together leads to the conclusion that since the Philippine customer attaches his own brand name to the mobile phones being sold in the Philippine market, then it is the Philippine customer and not the Group that is considered by law to be the “manufacturer” within the purview of the Consumer Act. Furthermore, because of the FOB Hong Kong/China arrangement, title passes from the Group to the Philippine customer at the point of shipment, i.e. Hong Kong/China, the Consumer Act will not apply to the Group considering that the Group was not responsible in “placing the product on the market.”

REGULATIONS

Anti-dumping

Republic Act No. 8752, also known as the Anti-Dumping Act of 1999 (the “**Anti-Dumping Act**”), revised Section 301, Part 2, Title II, Book 1 of the Tariff and Customs Code of the Philippines granted the Tariff Commission, the power to impose, under certain circumstances, a special anti-dumping duty on products, commodities or articles imported into the country.

Anti-dumping duty refers to a special duty imposed on the importation of a product, commodity or article of commerce into the Philippines at less than its normal value when destined for domestic consumption in the exporting country, which is the difference between the export price and the normal value of such product, commodity or article.

A final determination that the importation of a product, commodity or article is in violation of the Anti-Dumping Act results to the imposition of an anti-dumping duty on such products from the exporting country. An anti-dumping duty is adopted through the issuance of a Department Order describing the product, country, duration and the rate to be imposed on any such importation. The duration of the anti-dumping duty shall not exceed 5 years from the date of its imposition, or from the date of the most recent review.

The liability for duties, taxes, fees and other charges attaching on importation constitutes a personal debt due from the importer to the government that can be discharged only by payment in full of all duties, taxes, fees and other charges legally accruing. It is the importer/consignee, the Philippine customer, who is personally liable for the payment of all duties, taxes and fees, including any anti-dumping duty that may be imposed on the importation of the mobile phones. The antidumping duty is a liability of the importer and must be settled prior to the release of the goods by the Bureau of Customs. In the event that there is an allegation of a violation of the Anti-Dumping Act, the only possible participation of the Group would be in relation to the investigation to be conducted by the Tariff Commission whereby the Group being a producer/exporter will be given due notice that an investigation is being conducted and will be given the opportunity to submit evidence to dispute the claim of an anti-dumping violation.

Import Tariff and Related Governmental Fees

Section 101 of the Tariff and Customs Code of the Philippines provides:

Section 101. Imported Articles Subject to Duty. — All articles, when imported from any foreign country into the Philippines, shall be subject to duty upon each importation, even though previously exported from the Philippines, except as otherwise specifically provided for in this Code or in other laws.

Import duty and taxes are due when importing goods into the Philippines. The valuation method is CIF (Cost, Insurance and Freight), which means that the import duty and taxes payable are calculated on the complete shipping value, which includes the cost of the imported goods, the cost of freight, and the cost of insurance. In addition to duty, imports are subject to sales tax (VAT), and customs processing fees.

The liability for payment of import duties is on the importer/consignee. The release of the goods from the customs bureau is contingent on the payment of such applicable duties and taxes.

The mobile phones manufactured by the Group are delivered on an FOB Hong Kong/China port basis. As mentioned earlier, the goods are considered sold upon delivery at Hong Kong/China port and it is at the point of delivery that ownership and risk of loss over the goods is transferred to the buyer, the Philippine customer.

Consequently, by the time the mobile phones enter the Philippines, ownership has already been vested with the Philippine customer and, therefore, it is the Philippine customer who shall be solely responsible for the shipping and importation of the mobile phones into the Philippines. Consequently, it is the Philippine customer who shall be responsible for the payment of the import duties, taxes and fees that may be assessed in the processing and release of the mobile phones.

REGULATIONS

COMPLIANCE WITH LAWS AND REGULATIONS

As to product quality and safety, most of our customers would require us to supply our products in compliance with their specific safety standards. In order to ensure that our products meet our customers' stringent requirements on product quality and safety, we maintain quality control procedures for our raw materials used for production, our finished products supplied to our customers and our components sold. Our quality control personnel supervises the implementation of a comprehensive quality control system at various stages of production on site at our EMS providers and we sent our products for quality testing to obtain the product quality certificates required by our customers where necessary. The table below shows a list of the standards implemented or specific requirements for mobile handsets or consumer electronic products in certain jurisdictions and we supply products satisfying these standards accordingly:

Jurisdictions	Standards	Authority and scope
EU	RoHS	RoHS is acronym for directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment, which is adopted by the EU.
Thailand	CE	Compliance with CE standards is mandatory as required by the National Broadcasting and Telecommunications Commission (the "NBTC") of Thailand. An NTC ID number will be granted upon application for accreditation of compliance with CE standards by the NBTC. The NTC ID number shall be marked on IMEI label, label on the gift box and the carton of the products for identification.
Taiwan	NCC	NCC stands for National Communications Commission of Taiwan, which is the regulatory authority of telecommunications services and type approval. Each model will be granted a unique number to be labelled on IMEI label and gift box of the product after testing and accreditation by institutions authorised by the NCC.
India	BIS	<p>Under the Bureau of Indian Standards Act, 1986, BIS establishes Indian Standards in relation to any article or process and amends, revises or cancels the standards so established as may be necessary, by a process of consultation involving consumers, manufacturers, Government and regulatory bodies, technologists, scientists and testing laboratories through duly constituted committees.</p> <p>According to the BIS, among others, all the new design of mobile handsets in India shall comply with the Specific Absorption Rate (SAR) values of 1.6 W/kg averaged over 1 gram of human tissue with effect from 1 September 2012, failing which, the mobile handsets will not be permitted to be imported into India. The information on SAR values should be made available to the end-consumer at the point of sale.</p>
The U.S.A	FCC	FCC Rules are adopted by FCC and apply to among others, IT equipment.

REGULATIONS

Jurisdictions	Standards	Authority and scope
Philippines	NTC	NTC stands for National Telecommunications Commission, which is the regulatory authority responsible for the regulation of telecommunications equipment and services in the Philippines. Mobile phones, which fall under the general category of customer premises equipment, are subject to type approval/type acceptance by the NTC. The mobile phone shall be marked by a tamper proof label prescribed by the regulations, containing, among others, the type approval number issued by the NTC.

Our legal compliance personnel manage the process of obtaining, updating and renewing various permits and licenses required for our operations in China, as well as review the contracts to be entered into by us in various aspects of our operations. We have received no allegations on PRC or overseas regulatory non-compliance, or material quality complaints, or allegations for intellectual property rights infringements, or litigations against our Group or our Directors during the Track Record Period and up to the Latest Practicable Date. Accordingly, our Directors consider that our Group is not exposed to material liabilities as a result of any such overseas laws and regulations.

To the best knowledge of the Directors, the Group has complied with the applicable laws and regulations referred to in this section in all material respects during the Track Record Period and there is no material litigation or claim known to the Directors to be pending or threatened by or against the Group.

IMPACT OF INTERNATIONAL SANCTIONS LAWS

During the Track Record Period, we had exported mobile handsets in the ordinary course of business to customers in Sanctioned Countries, namely, Yemen and Venezuela, and also certain customers in Russia (where certain Sanctioned Persons are located). In light of our Group's sale of products to customers in the Sanctioned Countries and Russia (where certain Sanctioned Persons are located), we have appointed DLA Piper, an international law firm, to determine whether our sale of products to the Sanctioned Countries and Russia (where certain Sanctioned Persons are located) during the Track Record Period violate the International Sanctions.

As advised by DLA Piper, our legal advisers as to International Sanctions laws, our Group's historical sales and other business activities in Yemen, Venezuela and Russia (where certain Sanctioned Persons are located) during the Track Record Period are not sanctioned activities under International Sanctions laws and do not implicate the applicability of the relevant sanctions laws on our Group, or any, person or entity, including our Group's investors, the Stock Exchange, the HKSCC and the HKSCC Nominees. For details on our business activities in the Sanctioned Countries and Russia (where certain Sanctioned Persons are located) and impact of sanctions laws, please refer to the section headed "Business — Business Activities in Sanctioned Countries" in this prospectus.

HISTORY, DEVELOPMENT AND REORGANISATION

ORIGIN AND OUR HISTORY

Ms. Rong, one of our Founders, worked for a mobile handset distribution business in mid 1990s. Seeing the potential demand, growth and development of mobile handsets in the PRC, Ms. Rong and Mr. Ni with their personal savings established Tianyu in 2002 with Mr. Rong Shengli and Ms. Liu Fang to engage in mobile handsets business. To develop the R&D capability of our Founders' mobile handset business, Benywave Technology was established as a Sino-Foreign Equity JV in PRC in July 2004, owned as to 65% by Tianyu and 35% by Vital Profit (a BVI company held by an Independent Third Party). Following the establishment of Benywave Technology, the entire equity interest in Tianyu and Vital Profit were acquired by our Founders in December 2004 and September 2005, respectively. In 2006, Tianyu registered the trademark “天語” and obtained approval for producing GSM and CDMA mobile handsets following the liberalization of the issue of licenses for sale of mobile handsets by PRC government.

In 2006, our Founders considered that it would be more cost-effective to outsource the assembling of mobile handsets to third party EMS providers and hence terminated its manufacturing operations.

Foreseeing the potential in mobile handsets market in emerging markets, since 2007, Benywave Technology commenced exporting mobile handsets through the well established mobile handset distributors and telecom operators in India who were willing to outsource the design and manufacture of the mobile handset to Benywave Technology.

In 2008, Favor Gain (a company owned by WP) agreed to invest conditionally in Benywave Technology through Vital Profit subject to the completion of reorganisation pursuant to which all the mobile handset related business of Tianyu shall be carried out by Benywave Technology and Tianyu shall not conduct business in competition with or relates to Benywave Technology. Hence, Benywave Technology has gradually taken up all the mobile handset related business from Tianyu except that Tianyu still holds certain trademarks used by Benywave Technology for its own branded mobile handsets business in the PRC. For details, please refer to the subsection headed “WP Investment” in this prospectus below.

Our overseas sales volume has grown substantially from 1.1 million units in 2007 to 4.3 million units in 2009. In 2010, our management decided to delineate and separate our overseas operations from the PRC operations as they serve different customer base under a different business model due to difference in market dynamic, each requiring a dedicated team of management and R&D staff to operate.

In 2014, Benywave Technology was split into two legal entities in accordance with the PRC Company Law and the Provisions of the Ministry of Foreign Trade and Economic Co-operation and the State Administration for Industry and Commerce on Merger and Split of Foreign Invested Enterprises (《對外貿易經濟合作部、國家工商行政總局關於外商投資企業合併與分立的規定》). With Benywave Technology assuming the PRC Business, the newly established entity Benywave Wireless assumed the Overseas Business and became the principal subsidiary of our Group.

OUR MILESTONES

The key milestones of the development of our Group and the Excluded Group (before the Split) are as follows:

Year	Events
2002	Establishment of Tianyu by our Founders and other parties which was primarily engaged in trading of mobile handsets in the PRC

HISTORY, DEVELOPMENT AND REORGANISATION

Year	Events
2004	<p>Establishment of Benywave Technology by Tianyu and Vital Profit (a BVI company owned by an Independent Third Party) primarily engaged in R&D and manufacturing of mobile handsets on ODM basis with own manufacturing plant for PRC market</p> <p>The Founders acquired 100% of the equity interest in Tianyu</p>
2005	<p>The Founders acquired 100% of the equity interest in Vital Profit</p>
2006	<ul style="list-style-type: none">• Ceased to operate self-owned manufacturing plant and commenced to outsource all the assembling of mobile handsets to third party EMS providers• Tianyu registered the trademark “天語” and obtained approval for producing GSM and CDMA mobile handsets following the liberalization of the issue of licenses for sale of mobile handsets by PRC government
2007	<p>Commenced Overseas Business by exporting mobile handsets (feature phones) on ODM basis to India</p>
2008	<ul style="list-style-type: none">• Favor Gain completed its investment in Benywave Technology through Vital Profit and mobile phone related business was transferred from Tianyu to Benywave Technology• Benywave Technology became the principal operating subsidiary of the Tianyu Group
2011	<p>Succeeded in developing and design of smartphones and commenced supplying smartphones</p>
2012	<ul style="list-style-type: none">• Overseas Business commenced to switch product focus from feature phones to smartphones
2013	<ul style="list-style-type: none">• Became one of the leading ODM smartphone suppliers in the PRC for overseas markets
2014	<ul style="list-style-type: none">• Split of Benywave Technology into two legal entities in 2014 where Benywave Technology assumed the PRC Business and the newly established Benywave Wireless assumed the Overseas Business• Incorporation of our Company and set up of offshore structure for the Listing• Benywave Wireless which assumed the Overseas Business became the principal subsidiary of our Group

HISTORY, DEVELOPMENT AND REORGANISATION

FIRST EQUITY TRANSFER IN 2007

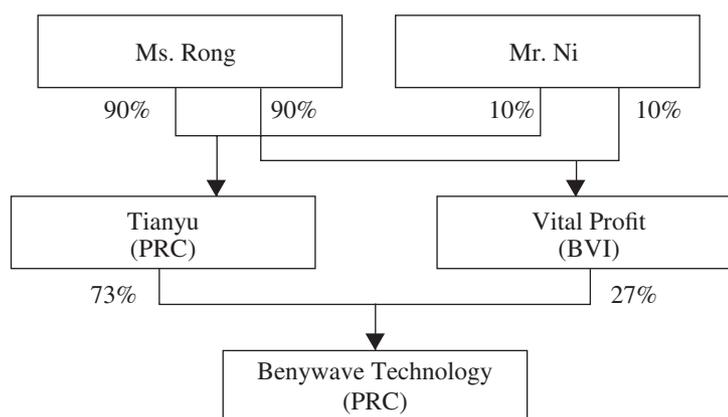
In May 2007, in anticipation of forthcoming investment by Favor Gain in Vital Profit, Tianyu transferred its entire 65% equity interest in Benywave Technology to Vital Profit for the sum of US\$2,192,800. Consequently, Vital Profit became the owner of 100% equity interest in Benywave Technology and Benywave Technology was changed from a Sino-Foreign Equity JV into a WFOE.

SECOND EQUITY TRANSFER IN 2007

In August 2007, to enjoy the then preferential PRC governmental policies in favour of sino-foreign enterprises as compared to wholly-foreign owned entities, Vital Profit transferred 65% equity interest in Benywave Technology back to Tianyu for the sum of USD2,192,800. Consequently, Benywave Technology was changed from a WFOE into a Sino-Foreign Equity JV with Vital Profit holding 35% of its equity interest and Tianyu holding 65% of its equity interest.

CAPITAL INCREASE IN 2007

In October 2007, the registered capital of Benywave Technology was increased from RMB28,000,000 to RMB200,000,000. The total increased capital in the sum of RMB172,000,000 was contributed as to RMB127,800,000 by Tianyu and the remaining RMB44,200,000 by Vital Profit. Consequently, the total capital contribution made by Tianyu to Benywave Technology was RMB146,000,000 (73%) and the total capital contribution made by Vital Profit to Benywave Technology was RMB54,000,000 (27%). Immediately after the capital increase in 2007, the corporate structure of Benywave Technology was as follows:



WP INVESTMENT

In April 2008, Tianyu, Vital Profit, Benywave Technology, Ms. Rong, Mr. Ni, WPPE and WPX entered into a framework agreement pursuant to which WPPE and WPX agreed to invest up to RMB525,000,000 in Tianyu, Vital Profit and Benywave Technology by subscribing for shares in Vital Profit. Such investment was subject to (amongst other things) the following conditions:

- (i) on or before 31 December 2008, the business of Tianyu, Vital Profit and Benywave Technology and its subsidiaries, primarily consisting of the development, design, distribution and sale of mobile telecommunications equipment and consumer electronics, software development in respect of such equipment and consumer electronics, shall be transferred to and carried out by Benywave Technology;

HISTORY, DEVELOPMENT AND REORGANISATION

- (ii) on or before 31 December 2008, Tianyu or its subsidiaries will not carry on any business or transaction or activity which competes with or relates to Benywave Technology; and
- (iii) on or before 31 December 2008, all proprietary assets of Tianyu and its subsidiaries (including trademarks) shall be licensed exclusively to Benywave Technology.

In May 2008, Winmate was acquired by Ms. Rong and Mr. Ni as their investment holding company for holding shares in Benywave Technology. Winmate was owned as to 90% thereof by Ms. Rong and 10% thereof by Mr. Ni. Pursuant to the said framework agreement, Ms. Rong, Mr. Ni, Vital Profit, Winmate and Favor Gain (a company owned by WPPE and WPX, funds managed by Warburg Pincus LLC, a global private equity firm) entered into an ordinary share subscription agreement dated 18 June 2008 under which Favor Gain agreed to subscribe for up to 972,222 ordinary shares of Vital Profit for US Dollars equivalent of RMB525,000,000.

It was agreed that the subscription proceeds shall be used by Vital Profit for its capital contribution to Benywave Technology, for its own working capital and for the development of Benywave Technology's business or other use as unanimously approved by the board of Vital Profit.

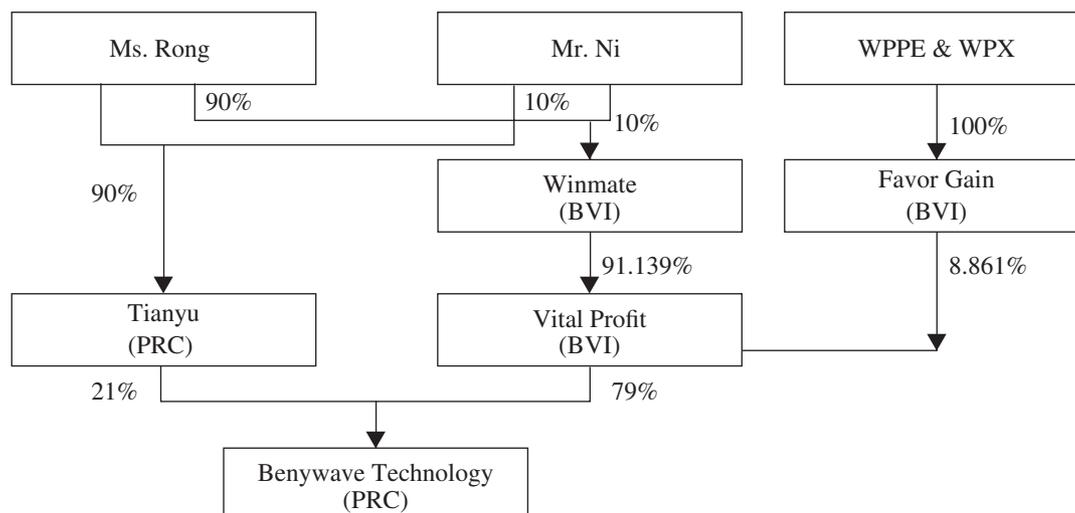
The said subscription was duly completed in June 2008 whereupon Vital Profit issued 972,222 ordinary shares to Favor Gain representing 8.861% of its issued share capital after allotment and the shareholding of the Founders (through Winmate) in Vital Profit was reduced to 91.139%.

Pursuant to the a capital increase and share transfer agreement entered into by Tianyu and Vital Profit in May 2008, it was agreed that the registered capital of Benywave Technology shall be increased from RMB200,000,000 to RMB680,000,000 and that the whole of the increased capital in the sum of RMB480,000,000 shall be contributed by Vital Profit. On 16 July 2008, the registered capital of Benywave Technology was increased from RMB200,000,000 to RMB680,000,000. After such capital increase, Tianyu held 21% and Vital Profit held 79% of the total capital contribution of Benywave Technology.

Under the said ordinary share subscription agreement, Vital Profit, Winmate and the Founders have covenanted with Favor Gain that (amongst other things) Tianyu will not directly or indirectly engage or participate in or be connected with or be interested in any business competing with the business of Vital Profit, Benywave Technology and their subsidiaries. Furthermore, they have also covenanted with Favor Gain that on or prior to 31 December 2008, (amongst other things) (i) the business of Vital Profit, Benywave Technology and Tianyu in the development, design, distribution and sale of mobile telecommunications equipment and consumer electronics, software development in respect of such equipment and consumer electronics shall be carried out by Benywave Technology, (ii) all employment, purchase orders, contracts, receivables, payables, inventory, technology and assets of Tianyu shall be transferred to Benywave Technology; and (iii) all proprietary assets of Tianyu and its subsidiaries (including trademarks) shall be licensed exclusively to Benywave Technology.

HISTORY, DEVELOPMENT AND REORGANISATION

So, immediately following the completion of the said capital contribution by Vital Profit to Benywave Technology, the corporate structure of Benywave Technology was as follows:



Following the completion of the investment by Favor Gain, all the mobile communication device business of Tianyu was shifted to Benywave Technology, and Benywave Technology has been licensed to use the trademarks “天語” and “K-Touch” free of charge. As at the Latest Practicable Date, Tianyu Group was not engaged in any business which might compete with Benywave Technology or our Group.

Ms. Rong and Mr. Ni completed the registration for SAFE Circular No. 75 on 7 April, 2008, and subsequently updated the information on 27 June 2008 and on 24 March 2009.

SAFE Circular No. 37 replaced SAFE Circular No. 75 on 4 July 2014. Ms. Rong and Mr. Ni are not required to make amendments to this registration under SAFE Circular No. 37. For further details relating to SAFE Circular No. 75 and SAFE Circular No. 37, please refer to the subsection headed “Regulation — SAFE Circular No. 75 (Repealed) and SAFE Circular No. 37” in this prospectus.

Details of the share subscription in the Company by Favor Gain (being a spin-off of part of the original investment of Favor Gain in Vital Profit) as described in the subsection headed “Reorganisation” in this prospectus below with analysis are as follows:

Date of investment agreement	Agreement of consideration paid	Payment date	Cost per share ⁽¹⁾	Premium to the Offer Price ^{(2), (3) and (4)}	Use of proceeds (fully utilized)	Shareholding in the Company	Shareholding in the Company upon Listing (before the sale of the Sale Shares)	Strategic benefits to the Company
18 June 2008	US dollars equivalent of RMB525 million	25 June 2008	(RMB) 11.61	454.11%	Business development	7%	5.32%	Knowledge and experience in the development of business strategy

HISTORY, DEVELOPMENT AND REORGANISATION

Notes:

- (1) Upon Listing, the issued share capital of the Company will comprise of 850,000,000 Shares, and Favor Gain shall be entitled to 5.32% (45,220,000 Shares) before the sale of the Sale Shares. Therefore, cost per share will be RMB11.61 (RMB525,000,000/45,220,000 Shares).
- (2) Assuming the Offer Price is fixed at HK\$2.64 being the mid-point of the indicative Offer Price range.
- (3) Assuming that RMB ~ HKD exchange rate is RMB1 to HKD1.26.
- (4) The premium is $((\text{RMB}11.61 \times 1.26) - \text{HKD}2.64) \div \text{HKD}2.64$ (i.e. 454.11%)

The investment of Favor Gain in Vital Profit was determined as a result of arm's length negotiations with reference to a multiple of the valuation of Vital Profit's interest in Benyware Technology.

SPECIAL RIGHTS OF FAVOR GAIN

Set forth below is a summary of the principal special rights granted to Favor Gain under the ordinary share subscription agreement dated 18 June 2008 and under the amended articles of association of Vital Profit (collectively "Special Shareholders' Rights"). On the formation of our Company, the articles of association of our Company contained provisions for shareholders' protection substantially similar to those provisions set out in the amended articles of association of Vital Profit (including Special Shareholders' Rights) with a view to preserving the shareholders' protection for Favor Gain in the Company prior to the Listing. All Special Shareholders' Rights for preserving the shareholders' protection for Favor Gain in the Company shall lapse upon Listing.

Director's nomination right	Before Favor Gain had transferred more than 50% of its shares originally subscribed in Vital Profit, Favor Gain had the right to nominate one (1) director onto the board of Vital Profit.
Veto rights	Resolution involving certain matters shall require the approval of all the shareholders or all the directors (as the case may be) of Vital Profit including but not limited to amendment of constitutional documents, mergers and acquisitions, determination of business plans, payment of dividends, restructuring, change in capital, the incurrence of borrowing, guarantee or financing liabilities with an aggregate value of 10% or more of the net assets and change in the principal business activities of Vital Profit and its subsidiaries.
Anti-dilution Protection	If Vital Profit proposes to offer any new shares, it shall first make an offer of such new shares to its existing shareholders on a pro-rata basis.
Listing covenants	Before Vital Profit shall list its shares on any stock exchange, Tianyu shall not list, or plan to list any of its share on any stock exchange and Tianyu shall not carry on any business, transaction or activity which competes with or relates to Benyware Technology for listing on any stock exchange.

HISTORY, DEVELOPMENT AND REORGANISATION

Information rights	Favor Gain shall be entitled to receive periodic unaudited financial information on Vital Profit and its subsidiaries and audited annual consolidated financial statement of Vital Profit and its subsidiaries.
Right of first refusal	A shareholder who wishes to sell its shares in Vital Profit shall provide a right of first refusal to the other shareholders.

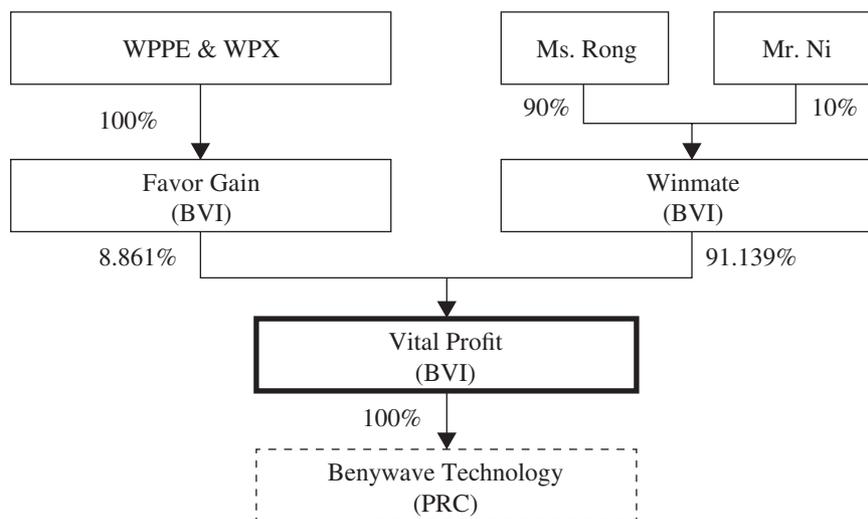
FURTHER INFORMATION ON FAVOR GAIN

The Company considers that Favor Gain's investment in Benywave Technology is a pre-IPO investment. Favor Gain is a company owned by WPPE and WPX, funds managed by Warburg Pincus LLC, a global private equity firm. Mr. Tang Shun Lam (鄧順林), our non-executive Director, has been a consultant of Warburg Pincus LLC since 2007. Save as aforesaid, Favor Gain has no other relationship with the Group or connected persons of our Company.

Shares held by Favor Gain are not subject to any lock-up after Listing. Such Shares are not considered as part of the public float for purposes of Rule 8.08 of the Listing Rules. Based on the information disclosed in relation to Favor Gain's investment in this prospectus, Sole Sponsor confirms that such investment is in compliance with the interim guidance and guidance letters on pre-IPO investments issued by the Stock Exchange and such investment has been completed at least 28 clear days before the date of the first submission of the listing application form in respect of the Listing.

EQUITY TRANSFER IN 2010

In July 2010, Tianyu transferred its entire 21% equity interest in Benywave Technology to Vital Profit for the sum of RMB184,064,700. Since then, the entire equity interest in Benywave Technology has been owned by Vital Profit, and Benywave Technology has been changed from a Sino-Foreign Equity JV to a WFOE in December 2010. Immediately after the equity transfer in 2010, the corporate structure of Benywave Technology was as follows:



means principally engaged in investment holding

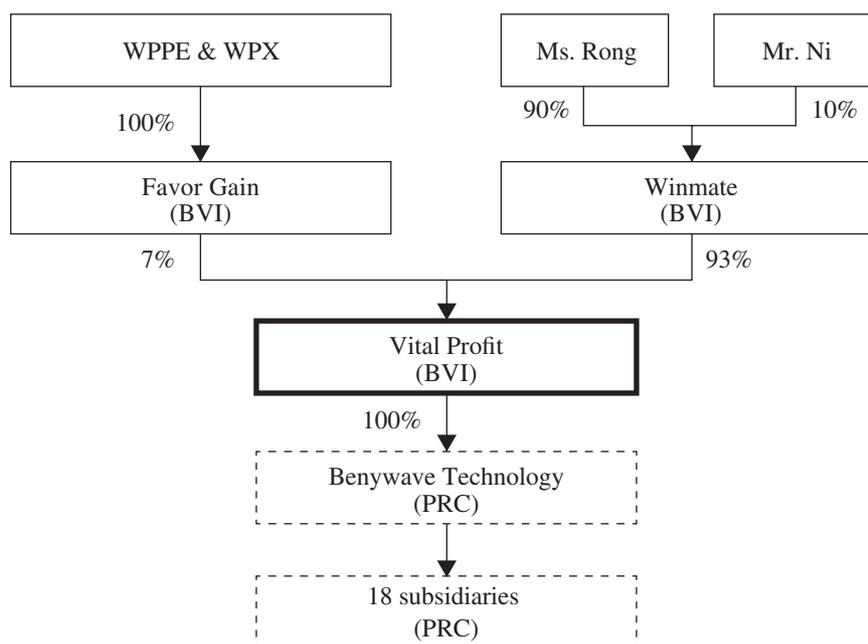
means principally engaged in the PRC Business and the Overseas Business

HISTORY, DEVELOPMENT AND REORGANISATION

SHAREHOLDING ADJUSTMENT IN 2014

At the time when Favor Gain completed its investment in Benywave Technology via Vital Profit, Vital Profit only owned 79% equity interest in Benywave Technology. Therefore, the 8.861% equity interest of Favor Gain in Vital Profit at that time represented approximately 7% indirect equity interest in Benywave Technology. After the transfer of 21% equity interest in Benywave Technology from Tianyu to Vital Profit, the actual percentage of shareholding of Favor Gain in Vital Profit should be adjusted from 8.861% to 7% and the percentage of shareholding of Winmate in Vital Profit should be 93%. Transfer of shares in Vital Profit by Favor Gain to Winmate to effect such adjustment has been made on 7 August 2014.

Following the adjustment of the shareholding in Vital Profit between Winmate and Favor Gain, the corporate structure of Benywave Technology was as follows:



means principally engaged in investment holding
 means principally engaged in the PRC Business and the Overseas Business

REORGANISATION

The reorganisation of Benywave Technology in preparation of the Listing consists of (a) the Split; and (b) the subsequent restructuring.

(a) The Split

Since 2010, our management considered that the PRC Business and the Overseas Business were different in business model, target customers, pricing and settlement and has started to delineate and separate their operation and management. For details, please refer to the subsection headed “Relationship with Controlling Shareholders — Delineation of Business” in this prospectus.

However, our management had no plan to go for a listing in 2010 when it first started managing the PRC Business and Overseas Business separately. Since our management had mainly focused on product improvement (i.e. feature phones to smartphones and then 4G smartphones) and business expansion and they

HISTORY, DEVELOPMENT AND REORGANISATION

had been able to make clear assessments on the performance of the PRC Business and Overseas Business separately based on the financial records maintained for each of the two businesses from an operational perspective, they did not carry out any major corporate restructuring nor intend to form a new legal entity to carry on the Overseas Business from 2010 to 2012.

Having considered that the PRC Business and the Overseas Business have different business model, target markets and customer portfolio which may attract different investor base, the management has started to seek for professional advice since early 2013 for the legal procedures of splitting of the Overseas Business and the PRC Business and assessing whether the financial information of the Overseas Business and the PRC Business can be properly segregated in accordance with international accounting standards for clear cut corporate structure and better delineation between the PRC Business and the Overseas Business so as to enhance flexibility in equity financing as well as loan financing which may be beneficial for the operations of the two businesses. As it takes time for the professional advisors to assess the validity of the reorganisation and the impact on our Group's business and financials, as well as the carrying out of the requisite legal procedures; and it takes time for Benywave Technology to communicate with the stakeholders, shareholders and regulatory bodies in completing the legal procedure, the reorganisation was not completed until July 2014 after all the procedures have been properly carried out and the business license of Benywave Wireless having been obtained.

On 29 April 2014, the board of Benywave Technology has resolved to split Benywave Technology into two separate legal entities, namely Benywave Technology and Benywave Wireless. Benywave Technology would retain the PRC Business only and the new entity Benywave Wireless would focus solely on the Overseas Business.

On 29 April 2014, Benywave Technology and Benywave Wireless entered into the Split Agreement in respect of the Split, which sets out the allocation of capital, assets and liabilities. For further details of the Split, please refer to the section headed "Relationship with Controlling Shareholders" of this prospectus.

The Split was approved by Beijing Municipal Commission of Commerce (北京市商務委員會) in PRC in July 2014 and Beijing SAIC issued the business licence to Benywave Wireless on 22 July 2014. Benywave Wireless was formally formed on 22 July 2014, with its sole shareholder being Vital Profit. According to the business licence obtained by Benywave Wireless on 22 July 2014, the business scope of Benywave Wireless is software development, the wholesale of communication facilities, communication equipment and components, import and export of goods, import and export of technology and technology promotion service. The registered capital of Benywave Wireless is RMB100,000,000. According to a replacement business license obtained by Benywave Wireless on 5 August 2014, the business scope of Benywave Wireless had been changed to assembling and manufacture of mobile handsets products; research and development of mobile handsets products; software development; the wholesale of communication facilities, communication equipment and components, import and export of goods, import and export of technology and technology promotion service.

According to our PRC Legal Advisers, the Split had been properly and legally settled and completed, and all approvals from relevant authorities had been obtained.

According to the Split Agreement entered into by Benywave Technology and Benywave Wireless, Benywave Wireless was to assume all rights and obligations relating to the Overseas Business. The assets and liabilities related to the Overseas Business were assumed by and fully recorded in the books and records of Benywave Wireless and the Group. All the liabilities in relation to the unsettled payments for purchases of raw materials were recorded as a trade payable to Benywave Technology as at 31 December 2012 and 31 December 2013. The purchases of raw materials made by Benywave Technology from third party suppliers on behalf of the Overseas Business during the Track Record Period were treated as if Benywave Technology then sold these raw materials to the Overseas Business at the same time. For the unsettled payments as at the year end, it was

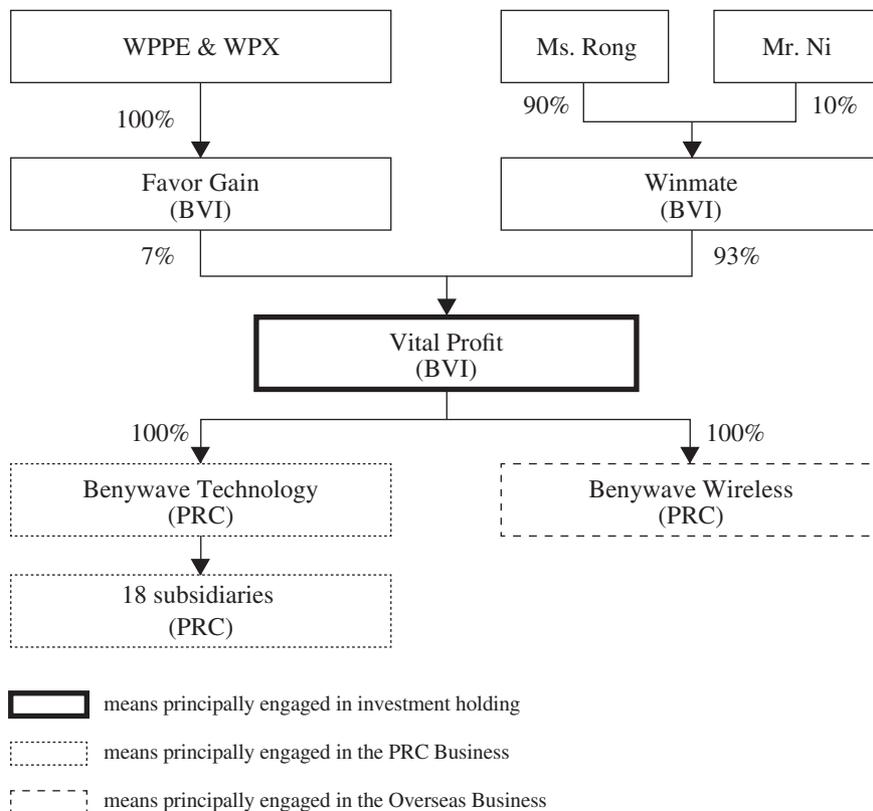
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recorded as trade payables owe to Benywave Technology by the Group. As at 31 December 2014, all the trade payables owe to Benywave Technology by the Group have been settled.

During the process of the Split, Benywave Technology had to inform all its creditors of the Split and the creditors are entitled to request Benywave Technology to repay the debts or provide guaranty within a certain period of time. No such request had been made during the prescribed period. Under the PRC law relating to the Split, unless otherwise agreed, the liabilities of the entity before the split should be jointly and severally assumed by the entities formed after the split, even if such liabilities are not related to the Overseas Business. Hence, while Benywave Technology was issuing the notice, it has also requested the creditors to confirm and agree to the arrangement under the Split including that Benywave Wireless shall not bear any joint and several liabilities with Benywave Technology. Such confirmation was obtained to protect Benywave Wireless from unforeseen contingent liabilities incurred under the PRC Business in view of i) all the assets and liabilities related to the Overseas Business were assumed by and fully recorded in the books and records of Benywave Wireless and the Group, hence the amounts recorded as at each of the years ended 31 December 2012, 2013 and 2014 have already fully reflected the amount of liabilities the Overseas Business and the Group was entitled to, based on the management's record; ii) Benywave Wireless has entered into new purchase agreements or established direct purchase relationship with its suppliers after the Split, which Benywave Wireless and the Group are responsible for settling the payments to the suppliers. Hence such confirmation from the creditors would help Benywave Wireless to avoid being claimed for liabilities not related to the Overseas Business after the Split.

Upon completion of the Split, Benywave Technology shall carry on the PRC Business and Benywave Wireless shall carry on the Overseas Business, and the management, finance and operations of Benywave Technology and Benywave Wireless are delineated.

Immediately following the Split and formation of Benywave Wireless, the corporate structure of Benywave Wireless and Benywave Technology was as follows:



HISTORY, DEVELOPMENT AND REORGANISATION

(b) Subsequent Restructuring

Our Company was incorporated on 12 August 2014 as the holding company of our Group as well as the listing vehicle. On incorporation, the authorized share capital of our Company was HK\$50,000 divided into 500,000 Shares of par value of HK\$0.10 each. One subscriber Share was allotted, issued and credited as nil paid to Sharon Pierson as the initial subscriber. On the same day, Sharon Pierson transferred the one Share to Winmate. Furthermore, 92 new Shares and 7 new Shares with par value of HK\$0.10 each were issued and allotted to Winmate and Favor Gain respectively pro-rata to their respective shareholdings in Vital Profit. None of the 100 Shares in our Company issued to Favor Gain and Winmate were paid up on allotment.

Vital BVI was incorporated on 27 June 2014. On 14 August 2014, our Company was issued with one share therein with par value of US\$1.00 each being its entire issued share capital. The one share in Vital BVI so issued to our Company was paid up upon allotment.

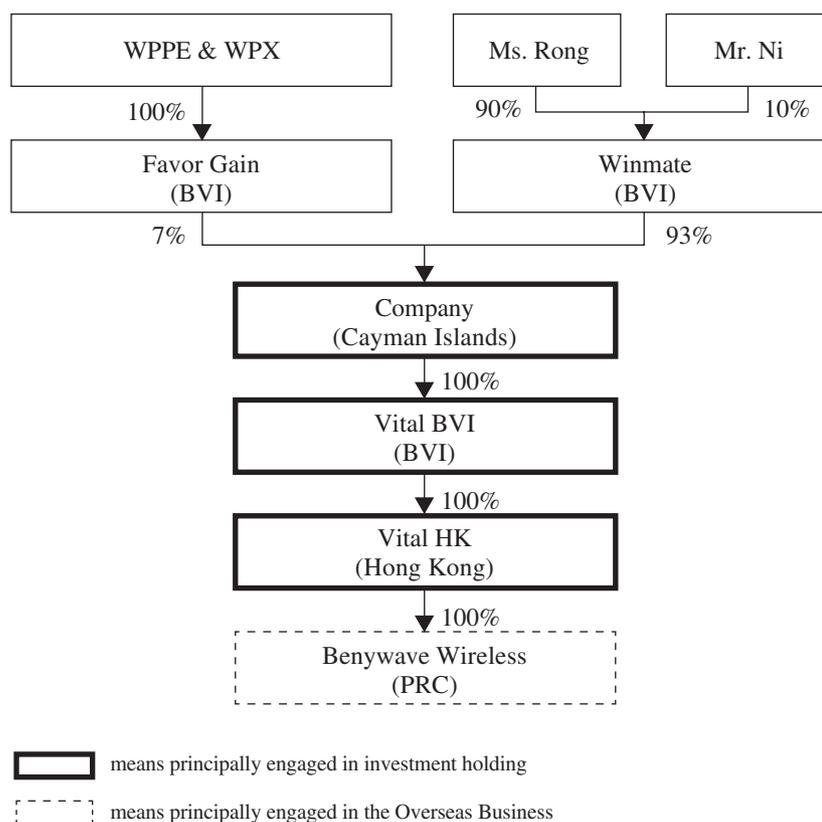
On 4 July 2014, Vital HK was incorporated and one share was allotted and issued to Billion Well Nominees Limited and was fully paid. On 14 August 2014, Billion Well Nominees Limited transferred the one share in Vital HK to Vital BVI and Vital HK has become a wholly-owned subsidiary of Vital BVI. Upon the establishment of Vital HK in 2014, it applied for the Radio Dealers Licence (Unrestricted) and we may consider utilising such license for sourcing certain raw materials and other liaison work with our overseas customers where our management considers appropriate.

On 19 August 2014, Vital HK agreed to acquire the entire equity interest in Benywave Wireless from Vital Profit for the consideration of RMB100,000,000, which was based on the registered capital of Benywave Wireless. For the purpose of such acquisition, Winmate and Favor Gain agreed to lend to the Company the total sum of RMB100,000,000 on a pro-rata basis based on their respective holding of the Shares in the Company. The said transfer was approved by the Management Committee of Beijing Economic-Technological Development Area and Benywave Wireless obtained the Certificate of Approval from Beijing People's Government on 29 August 2014. Pursuant to a set-off agreement dated 23 September 2014 entered into by Winmate, Favor Gain, our Company, Vital HK, Vital Profit and Benywave Wireless, settlement of the sum of RMB100,000,000 for the said acquisition took place on 23 September 2014 and the said loan of RMB100,000,000 was subsequently waived by Winmate and Favor Gain in favour of the Company.

According to our PRC Legal Advisers and our Hong Kong Legal Advisers, the acquisition of the entire equity interest of Vital Profit in Benywave Wireless by Vital HK had been properly and legally completed and settled, and all approvals from the relevant authorities had been obtained.

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Immediately following the transfer of 100% equity interest in Benywave Wireless to Vital HK, the shareholding structure of our Group was as follows:



Each of the Cayman Legal Advisers, Conyers Dill & Pearman, the Hong Kong Legal Advisers and the PRC Legal Advisers confirm that the Reorganisation complies with the laws and regulations of the Cayman Islands, BVI, Hong Kong and PRC respectively.

Following the Reorganisation, Benywave Technology and its subsidiaries were not consolidated into our Company and do not form part of our Group. These companies will carry on the PRC Business. Please refer to the section headed “Relationship with Controlling Shareholders” of this prospectus for details of the PRC Business.

On 26 May 2015, a further 837 Shares were issued by the Company to Winmate at par value. These 837 Shares together with the 93 Shares previously allotted were fully paid up at par value.

On 26 May 2015, Winmate transferred to RSU Scheme Nominee by way of gift 50 Shares for the RSU Scheme.

On 26 May 2015, Winmate transferred to Rong Personal Trust Nominee by way of gift 136 Shares for the Rong Personal Trust.

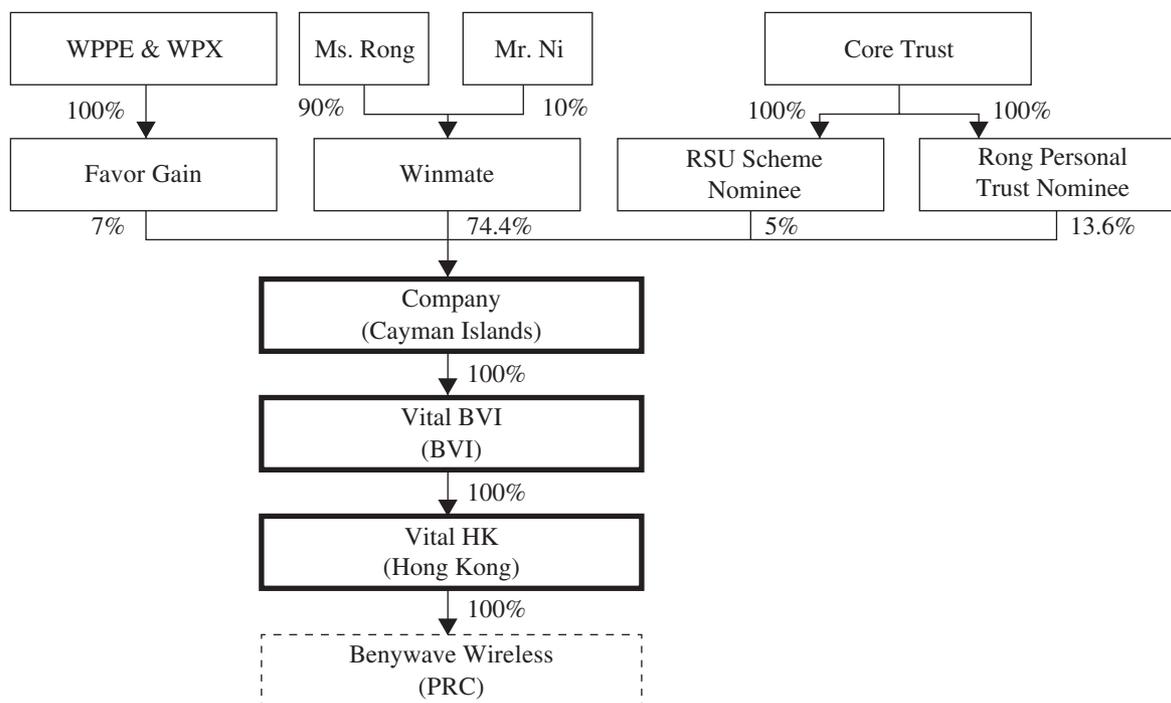
On 9 June 2015, a further 63 Shares were issued by the Company to Favor Gain at par value. These 63 Shares together with the 7 Shares previously allotted to Favor Gain were fully paid up at par value.

On 9 June 2015, the authorized share capital of our Company has been increased from HK\$50,000 divided into 500,000 Shares of HK\$0.10 each to HK\$100,000,000 divided into 1,000,000,000 Shares of

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HK\$0.10 each by the creation of an additional 999,500,000 Shares of HK\$0.10 each in the capital of our Company, which shall rank pari passu to the existing Shares.

Immediately following the abovementioned allotments and issues of Shares and transfers of Shares, the shareholding structure of our Group was as follows:



means principally engaged in investment holding

means principally engaged in the Overseas Business

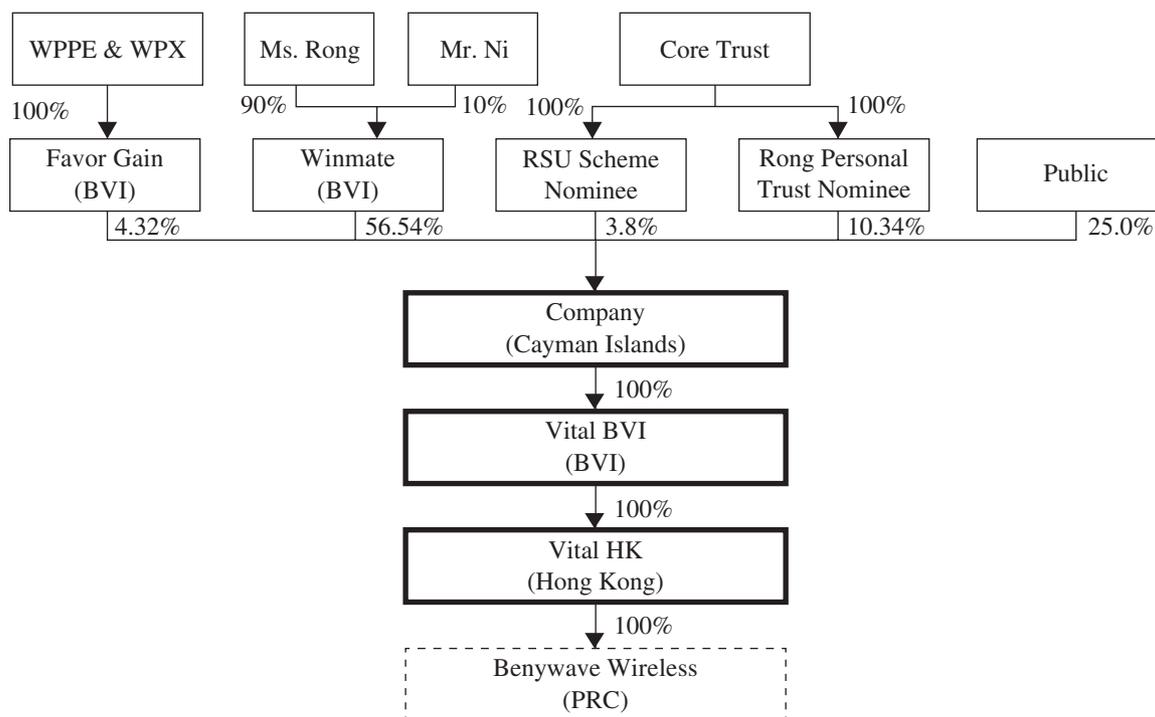
Up to 212,500,000 Shares (comprising of 8,500,000 Sale Shares and 204,000,000 new Shares) are offered under the Global Offering.

Conditional upon the share premium account of the Company being credited on the completion of Global Offering, such sum standing to the credit of the share premium account equivalent to the par value of 645,999,000 Shares shall be capitalised and applied for the allotment of 480,623,256 Shares to Winmate, 45,219,930 Shares to Favor Gain, 32,299,950 Shares to RSU Scheme Nominee and 87,855,864 Shares to Rong Personal Trust Nominee.

Favor Gain will sell 8,500,000 Shares to the public upon Listing. Up to 204,000,000 New Shares are offered under the Global Offering.

HISTORY, DEVELOPMENT AND REORGANISATION

The shareholding structure of our Group immediately upon completion of the Capitalisation Issue and the Listing (but excluding Shares that may be issued under the Over-allotment Option) is set out as follows:



means principally engaged in investment holding
 means principally engaged in the Overseas Business

Immediately upon completion of the Capitalisation Issue and the Listing but excluding Shares that may be issued under the Over-allotment Option, the public will own 212,500,000 Shares, representing approximately 25% of the total issued share capital of our Company.

On the date of formation of our Company (on 12 August 2014), the Shares issued to Winmate and Favor Gain ranked *pari passu* in all respects. The articles of association of our Company adopted by the shareholders of our Company contained provisions for shareholders' protection (in respect of our Group) substantially similar to those provisions for shareholders protection set out in the amended articles of association of Vital Profit including Special Shareholders' Rights.

Amended and restated articles of association of our Company has been conditionally adopted on 9 June 2015 which will become effective upon Listing. For further details, please refer to the section headed "Summary of the Constitution of the Company and the Companies Law" in Appendix III to this prospectus. All the provisions in the articles of association of our Company adopted on incorporation are replaced by the said amended and restated articles of association of our Company upon Listing and all provisions for Special Shareholders' Rights are cancelled upon Listing.

As at the Latest Practicable Date, there were no outstanding options, warrants and convertible in relation to the Shares.

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OVERVIEW

We are one of the leading ODM smartphone suppliers in the PRC targeting overseas markets. According to the Frost & Sullivan Report, we ranked the fourth amongst the PRC smartphone exporters on ODM basis in terms of export shipment volume^{Note} which accounted for approximately 2.5% of the total China smartphone export volume in 2014. We are primarily engaged in developing, designing, production management and sale of mobile handsets to markets covering more than 25 countries, excluding China. Our products are sold by our customers under their own or authorised brand names. Our customers include various top local branded mobile handset suppliers, telecommunication operators and trading companies in South Asia, South East Asia, Europe, North America, South America, Africa and other parts of Asia.

We provide a wide range of services including design, product validation, sourcing of components, procurement of processing and assembling, providing technical knowhow for manufacturing and packaging catering for our customers' needs and/or specifications. Design of mobile handsets mainly involves hardware, software, mechanical and circuitry design for producing a mobile handset to maximize the compatibility of various hardware, software and components of a mobile handset with specified functions as well as outlook design of the products. We outsource our processing and assembly process to our EMS providers while providing raw materials, production process design, technical support and onsite supervising personnel to monitor the production schedule and product quality.

OUR COMPETITIVE STRENGTHS

We believe that our success to date and our potential for future growth are attributed to a combination of our competitive strengths set out as follows:

Leading smartphone ODM supplier targeting overseas markets with strategic focus on the emerging countries

We are one of the leading smartphone ODM suppliers in the PRC. Our products are sold by our customers in over 25 countries under their own or authorised brands. According to the Frost & Sullivan Report, we ranked the fourth among all smartphone ODM exporters in the PRC in terms of export shipment volume in 2014 and we accounted for approximately 2.5% of the total China smartphone export volume in 2014.

We are primarily engaged in the developing, designing, production management and sale of mobile handsets to overseas markets, particularly to emerging markets with low smartphone penetration rate i.e. central and eastern Europe, central and Latin America and Asia Pacific. We have started exporting our products to the emerging markets since 2007. Our revenue generated from the emerging markets for each of three years ended 31 December 2014 was approximately RMB602.4 million, RMB1,011.0 million and RMB794.5 million respectively, which represents approximately 90.8%, 73.9% and 41.5% of our total revenue in the corresponding years respectively.

Note:

According to Frost & Sullivan, global mobile handset shipment reached 1,890.0 million units in 2014. China has been responsible for a large proportion of the global handset production. The export volume of mobile handsets in China represented approximately 69.3% of the global mobile handset production in 2014. While the market is highly fragmented (i.e. the largest ODM smartphone exporter accounted for 4.3% of the total smartphone export volume in 2014), the Group's export volume accounted for 2.5% by the total PRC smartphone export volume in 2014. Approximately 81.9% of the smartphone export volume from China in 2014 was attributable to smartphone brand owners and OEM suppliers. The remaining 18.1% was attributable to exports by smartphone suppliers on ODM basis. The Chinese market of smartphone export on ODM basis remains large and representative.

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According to the Frost & Sullivan Report, global ODM smartphone shipment increased from 58.3 million units in 2010 to 287.9 million units in 2014, representing a CAGR of 49.1%. It is expected that the market size of ODM smartphone will continue to grow at the CAGR of 17.8% during the period from 2014 to 2019 and will reach 652.5 million units in 2019. ODM smartphones accounted for 18.2% of the global smartphone shipment in 2010 and it is expected to reach 28.5% in 2019.

We have been serving the emerging markets since 2007, we believe our strategic focus on the emerging markets has laid a strong foundation and developed a well established client base for us to capture the future growth as ODM smartphones are expected to thrive in the emerging markets. According to the Frost & Sullivan Report, the emerging markets (excluding China) smartphone shipment will continue to grow at 16.6% CAGR from 2014 to 2019. We believe our Group has a wider global presence than our key competitors who are also leading ODM smartphone exporters in the PRC and we plan to continue to expand our geographical coverage in the future.

Established long-term relationship with worldwide customers

With the foresight of Ms. Rong (one of our Founders) that there would be growing demand in mobile handsets in the emerging markets, we have started with focusing on establishing and maintaining good business relationship with well established customers in India since 2007 who were willing to outsource part of their mobile handset designs and production.

We offer mobile handsets on ODM basis with a mission to offer affordable mobile handsets with advanced quality and functionality. We have cultivated long-term relationship with our worldwide customers, including various leading local branded mobile handset suppliers, telecommunication operators and trading companies in various emerging countries including India, Thailand, Philippines, Taiwan, Russia, Americas and so on. During the Track Record Period, we supplied mobile handsets to customers in more than 25 countries. Our customers include various top local branded mobile handset suppliers and telecommunication operators (directly or through their authorised agents) as well as trading companies who sell the mobile handsets under their own or authorised brands such as Karbonn in India, Archos in France and Cherry in Philippines.

As at 31 December 2014, three of our top ten customers have been our customers for over four years. In 2014, we have diversified our customer base and increased our revenue derived from Americas (which include South America and North America), following the launch of our LTE smartphones and Windows phones; as well as Africa, as a result of increase in market penetration.

According to the Frost & Sullivan Report, western Europe and North America, as mature markets for smartphone, are enjoying the highest penetration rate. More than half of the mobile phone users are using smartphones since 2011. Future growth would primarily be driven by migration to LTE devices from 2G and 3G devices following the completion of the 4G telecommunication infrastructure and increased consumer awareness and adaptation. Comparing with the developed regions, the emerging markets including central and east Europe, central and Latin America and Asia Pacific are much lower in smartphone penetration. Only 30% mobile phone users are using smartphone in the emerging markets in 2014 and it is estimated to reach 50% in 2019 driven by the strong demand for low to mid-end priced smartphones. We believe our long-term relationship with customers being top local mobile handset suppliers and telecommunication operators will best position our Group to capture the growth potential in this market segment.

Leveraged on our client portfolio of market leading local branded mobile handset suppliers, we successfully increased our number of customers from 27 in 2011 to 44 in 2014, and broadened our geographical customer base to 25 countries globally.

Focusing on high value adding ODM services with a robust business model

We differentiate ourselves in the market by offering high value adding ODM services ranging from software and hardware design (including PCB designs), sourcing, production management, to designs for castings, packaging and marketing materials. Some of our customers from the emerging markets lack access to latest mobile design and production technology. We help our clients by looking into the products offering from time to time and advise them on the latest market trend so as to strengthen and compliment the product portfolio of our customers. To the best information and knowledge of our Directors, our customers treasure these advice which helps our Group to develop customers' loyalty.

The key components of mobile handsets are mobile chipsets, including baseband processor ICs. According to Frost & Sullivan, when the mobile chipset market enters a supply shortage, it would be difficult for mobile handset suppliers to procure the mobile chipsets they desire. The supply of mobile chipsets affects the timing of producing the mobile handsets and ultimately the launch of products by our customers in their target market. Stable supply of quality mobile chipsets would be one of the keys to success in our business. We maintain long-term and close relationship with our suppliers, which include the top two mobile handset baseband processor suppliers worldwide in 2013 (according to Frost & Sullivan) which enables us to procure the components in a stable manner. To the best information and knowledge of our Directors, our long-term stable relationship with the suppliers is one of the key factors that our customers select our Group as their ODM mobile handset supplier.

We strategically adopted an asset light business model. We source raw materials and deliver to our EMS providers who are responsible for product processing and assembly. According to Frost & Sullivan, Benywave Technology has maintained long-term relationship with one of the EMS provider who is the second largest mobile handset EMS provider in 2013 (in terms of market share based on shipment) for more than five years, and we have continued to maintain such relationship after the Split. We strategically choose EMS providers located in Guangdong province, a hub for components and parts for mobile handsets where the raw materials can be sent to our EMS providers within a short period of time, and a place near Hong Kong, an international entrepot to facilitate the overall logistic arrangements for exports.

We implement stringent quality control procedures to ensure the quality of products. We assign onsite quality control managers and technical supervisors to supervise the quality check process. We are able to offer products in compliance with various safety and industrial standards, serving the needs of our customers who are located in a wide range of geographical locations. For details, please refer to the subsections headed "Business — Quality Control", "Business — Outsourcing and Production Management" and "Business — Raw materials and suppliers" of this prospectus.

We leverage our low cost structure to design and offer quality products at competitive prices, which we believe is a key contributor to our competitiveness in overseas markets, particularly in the emerging markets.

Strong R&D and adaptive design capabilities to cater for technology development trends and customers' needs

We take pride in having a dedicated R&D team consisting of approximately 60 staff led by Mr. Pei Hongan, who has over 11 years of experience in the mobile handset industry. Our R&D team includes experienced electronics, mechanical, software, driver and testing engineers and many of them have stayed with us for more than five years. Our R&D team is highly experienced in the design and development of feature phones and smartphones adopting various mobile communication standards of 2G, 3G and 4G including GSM, CDMA, EVDO, WCDMA, LTE, etc. with different operating frequency and operated in common mobile operating system such as Android and Windows to cater for our customers' requirements from various geographical regions. During the Track Record Period, our design team provides over 750 designs for our

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customers' selection. Our highly flexible design and supply chain capabilities, together with our asset light business model allows us to respond swiftly to our customers' needs. To the best information and knowledge of our Directors, as China has been responsible for a large proportion of the handset production, our PRC based R&D team has been keeping pace with the latest development of the technology. Our R&D team has mastered the designs for 4G smartphones and is capable of offering these products to our clients in both emerging and developed countries.

Our R&D team has long experience in designing smartphone with a broad spectrum of specifications, i.e. different wireless communication standards, with chipsets from different suppliers and different settings and many other modules at different price ranges. This flexibility provides us with the advantage of outputting designs that suits a wide range of products at similar price ranges exported to the emerging and developed markets. Our smartphones are installed with advanced hardware and software functionalities, i.e. high definition LCD screen, high resolution camera, high speed internet browsing capability, redesign user interface and the popular mobile applications, i.e. social media, maps, etc. For each of the three years ended 31 December 2014, our R&D costs amounted to approximately RMB13.1 million, RMB16.4 million and RMB22.0 million respectively.

We purchased mobile chipsets from global leading chipset providers such as Qualcomm and Mediatek during the Track Record Period and we are often selected by major mobile chipset suppliers such as Qualcomm as their alpha partners for their newly developed mobile chipsets. Mobile chipsets are vital to the overall performance of the smartphones. Our R&D team engages in hardware design such as electronics and circuitry design as well as the software and mechanical design and engineering for producing a mobile handset with the newly developed mobile chipsets. Through our partnership, we gain first hand technical specification of the mobile chipset and therefore are able to master the design and development of smartphones with newly launched mobile chipsets in advance of some smaller mobile handset suppliers in the market.

We are capable of providing hardware, software, mechanical and industrial design for producing a mobile handset and are strong at high-speed PCB compatibility design to optimize the compatibility of various hardware, software and components of a mobile handset with specified functions to meet the demand and preferences of our diversified groups of customers. During the Track Record Period, we developed and offered over 750 smartphone models meeting the needs of various customers. We target a quick design-to-deliver cycle which generally takes three to four months for us to develop a new model.

We believe that our edge on our R&D and design capabilities enables us to appeal to and quickly adapt to our customers' needs, maintain business relationships with our existing customers as well as exploring new business opportunities.

Experienced, stable and dedicated management team

Our executive Directors have extensive experience in mobile handset industry. Ms. Rong, our Founder and chairperson, has approximately 20 years of experience in the mobile handset industry and she was a pioneer in managing the distribution of third party's mobile handsets, manufacturing, developing and design of mobile handsets in the PRC, which provided her with knowledge and experience that facilitate us in understanding and meeting our customers' needs. Ms. Rong also established good business network with both upstream and down stream industry players. Mr. Rong, our executive Director and chief executive officer who is mainly responsible for sales and market development, has more than 15 years of industry experience, such as sales and marketing of mobile handsets, general operations management and has focused on overseas markets for more than three years. Our senior management Mr. Pei Hongan, vice president in charge of R&D, has over 11 years of experience in developing and designing mobile handsets. Our chairperson and chief executive officer, together with our sales team, pay frequent visits to our existing and prospective customers to understand and react timely to regional consumers' needs and preferences.

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The experience of our management team is fundamental to our Group in building a solid foundation for the subsequent development of our business. For details, please refer to the section headed “Directors, Senior Management and Employees” of this prospectus.

OUR BUSINESS STRATEGIES

We strategically strive for maintaining our Group as a leading mobile handset supplier with design capability targeting overseas markets by enhancing our R&D capabilities, increasing our market penetration in existing markets, expanding our customer base and exploring new overseas markets. We intend to implement the following strategies to capitalise on our strengths so as to enhance our business prospects and profitability:

Strengthening our R&D capabilities

Our products are well regarded by our customers for their quality and functionalities which is largely attributable to our R&D team’s ability to optimize and integrate the hardware and software used in our products. We strive for providing full range of features with latest technology at competitive prices. We plan to strengthen our R&D capabilities through the followings:

- expanding our R&D team through employment or, if appropriate opportunity arises, through acquiring independent software or hardware design house with experienced engineers who could help enhance our capability in software and hardware optimization, i.e. to improve the performance of the display, audio mobile and camera module which has become popular functionalities to smartphone users when selecting mobile handsets;
- acquiring additional testing machines for testing of the quality of the raw materials and mobile handsets, which include for example testing equipments for mobile chipsets, display modules, screens, connectivity and durability of mobile handsets to facilitate efficient and cost effective quality testing process while reducing the need and cost to engage external testing labs; and
- setting up new R&D team to focus on software and hardware development that could cater for the latest trend in wearable devices, smart-home functionality and health-care management. We may, if appropriate opportunities arise, seek co-operation from other smart devices developers to develop hardware or software features to be incorporated in smartphone to enhance our products’ functionality.

Broaden our customer base and further diversify in global markets

We aim to broaden our geographical coverage. We intend to replicate our success in other markets and continue to target well established local smartphone branded suppliers and telecommunication operators. Becoming a supplier to these well established enterprises would require experience and consistency in quality and production lead time, however we believe that once they have selected us to be their suppliers after strict assessments, they tend not to switch suppliers so as to ensure consistency in the quality of their products.

We plan to increase sales and marketing force to broaden customer base in global markets, which include for example South America, North America, Africa and South Asia. We were successful in increasing our sales revenue from Europe, South America and North America in 2014 as a result of the launch of our LTE products. To this end, we also need to increase our resources on R&D to develop and design smartphone models and software for customers in these markets. We also believe that our capability of offering 4G products enables us to increase our market penetration in both the Americas and Europe.

In addition, the mutual cooperative relationship between our alpha partners and us has been beneficial to us in acquiring new customers. We expect the ongoing strong cooperation would facilitate cross customer referrals in markets that our alpha partners have a strong presence, such as in U.S. and Europe.

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To support our strategy to broaden our customer base, we plan to apply part of the use of proceeds as cash reserve for purchasing raw materials. We generally receive 5–20% deposit for our orders and proceeds with purchase of raw materials. It usually takes 60 to 90 days from the sourcing of raw materials to the shipment of finished goods. While our payment term offered by creditors is usually 30 to 60 days and our credit term offered to our customers ranges from fully paid before delivery to 90 days. Our cash conversion cycle is normally two to three months, we believe that the increase in cash reserve for purchasing of raw materials will enable us to take more and longer orders. For further details, please refer to the section headed “Future Plans and Use of Proceeds” of this prospectus.

Establishing representative offices and strategic partnership in our key overseas market

We sell mobile phones to more than 25 countries. We intend to set up offices in key overseas markets in order to better serve our customers and explore new customers. These overseas representative offices will comprise of R&D teams and sales personnel in geographical regions including India, Southeast Asia and the Americas gradually. We expect these overseas offices will provide timely feedbacks and valuable local knowledge on product designs, market trend, customer preference, etc. These offices will also function as local support for after-sale technical advices to our customers. As we generally offer up to one year warranty of our products and provide technical support and advisory service to our customers who offer after-sale service to their end customers, we believe having business presence in overseas markets would improve the efficiency of our after-sales service and customer coverage in these markets.

Below is our stage plan for establishing overseas representative offices:

Expected time of establishment of the relevant representative offices	Country/ Location	Number of representative office to be established
By 2015	U.S.	1
By 2015	India	1
By 2016	Southeast Asia	1

Our management team considers that our long-term relationship with leading branded mobile handset suppliers and telecommunication operators are key to our success in these markets. As the emerging markets start to attract attention from many international brands, our management team has been considering options to solidify our relationship with these leading players in our key markets. We may consider formation of joint venture, acquisition of non-controlling shareholding in our customers or formation of strategic partnership with them to further enhance our relationships and strengthen our presence in the relevant markets.

Our Directors will be very selective in the process and will strategically consider a range of matters, including the potential partner’s portfolio, past experience in the industry, shareholding structure, financial conditions and operational compliance. As at the Latest Practicable Date, we did not identify a suitable partner or target for such partnership and our management would explore and consider such opportunities from time to time.

Expanding our product features and offering

We anticipate there will be an increasing demand for an extension to smartphone peripherals. For example, wearable devices with mobile telecommunication function, “smart home” devices (such as remote control for air-conditioning, lighting, curtains and other electrical appliances) and health care management products will become more popular globally. In order to pro-actively meet our customers’ needs, we will allocate a portion of our resources to developing and designing mobile telecommunication devices that could rate for these functions.

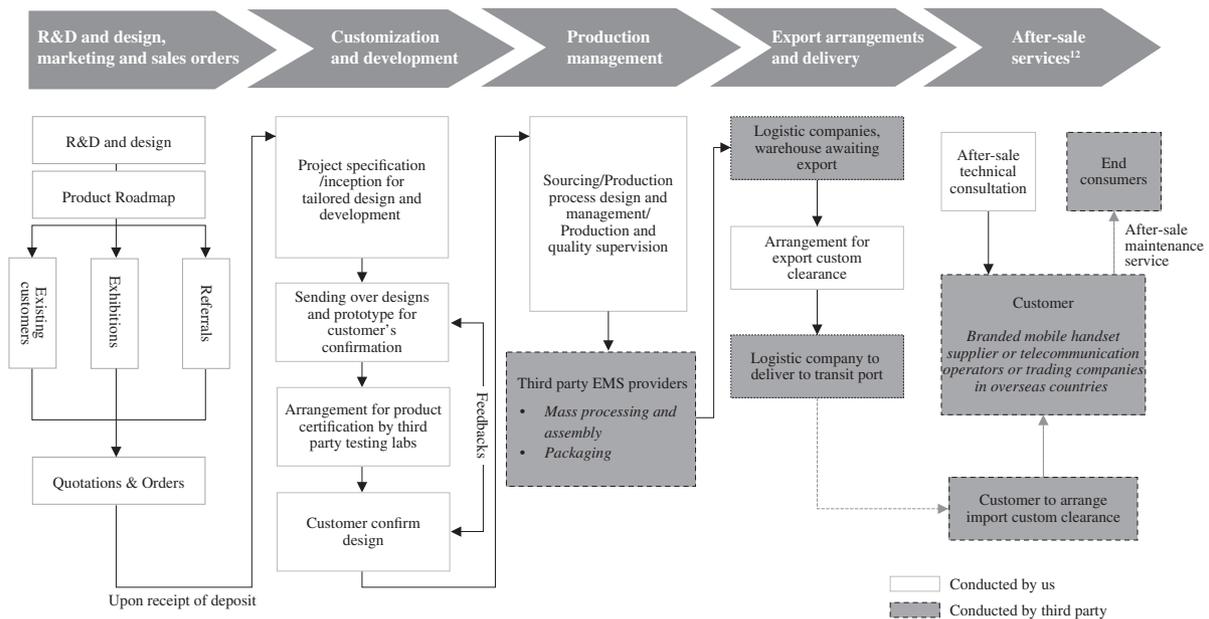
BUSINESS

We plan to allocate additional resources to research on customers' preferences for new features, develop budget on designing new products and, backup services to support the new features of our products. To develop and design products like smartphones with "smart home" functions efficiently, we plan to seek co-operations from smart home appliances companies in Europe and U.S. to offer compatible set of smart home products together with smartphone featured with smart home controls.

We trust the expansion of our smartphone features and product offerings could expand the product portfolios for our customers and offer higher value-added ODM solutions.

OUR BUSINESS MODEL

The following diagram illustrates our current business model:



Notes:

R&D and design

1. We begin by conducting research and development on the latest mobile telecommunication technology. Whenever there are any new software platforms (e.g. Windows Phone of Microsoft), breakthrough development of mobile telecommunication standards (e.g. 4G) or advancement in mobile chipsets, our R&D team will work on the software and hardware integration with an aim to optimize the performance of hardware and software in a mobile handset. We also work on outlook design of the products.

Marketing (product roadmap/exhibitions/referrals) and sales orders

2. We are capable of offering a wide range of mobile handset with various specifications and functionalities. We formulate and update our product roadmaps from time to time setting out our products offerings which serve as a preview of our newly launched products. For existing customers, we introduce our new models and/or newly acquired capability through emails regularly. Our sales team will conduct face-to-face meetings with customers to introduce our new models. We also participate in various international exhibitions i.e. CES (Consumer Electronics Show) and Mobile World Congress to promote our products.
3. Customers will communicate with our sales team on the hardware and software specifications on the mobile handset that they are interested in ordering. Customers may order mobile handsets based on existing designs or will request for modifications based on our original design or design for new models.

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4. After our sales persons communicate client's requests with our R&D team, our R&D team will then consult with our sourcing and out sourcing control team and assess the feasibility of the project. Our sourcing and outsource control team will check on the availability of the raw material costs and availability of EMS providers to assess whether we will be able to deliver the products on time.
5. We quote prices based on a range of factors, including our cost, the quotations of our market competitors and our customer strategies. For models we previously produced, we produce bill of materials for reference and take into account the market price of the raw materials. For models to be developed, we assess the raw materials to be used and take into account the market price of the raw materials. We also consider the outsourcing costs and complexity of the designs and the expected margins for the price setting. Sales invoice or purchase order then follows.

Customization and development

6. Our sales team is responsible for establishing the project specification (立項書) which sets out the specifications in handsets required by the customer i.e. the operating frequency, hardware platform, mobile chipset, memory, outlook, mobile telecommunication standard, display module, camera module, battery, the brand name to be used, expected size of the order and packaging requirements. The project specifications will be reviewed and approved by the R&D team. The project specification needs to be approved by product manager, project structural manager, sales manager and the general manager. Throughout our internal approval process, our sales team regularly communicates with our customers to ensure consistency with customers' requirements. We generally require deposit from 5% to 20% from customers before our R&D team commences working on a particular model.
7. Our R&D team works on hardware and software design and engineering of the products based on the specifications required by our customers. We communicate with and receive feedbacks from customers throughout the whole process of design and development of a product. We arrange delivery of a prototype to be produced by our EMS providers to our customers for their testing and confirmation, or feedbacks. If certain product standard certifications are required and specified by our customers, we will arrange prototypes to be sent to the recognized independent third party laboratories or institutions which issue the relevant certifications.

We also design the packaging and prepare the user manuals of the products for our customers' approval.

Procurement and outsourcing

8. We are responsible for procuring the necessary raw materials including chipsets, display modules, camera modules, PCB, etc. We usually place orders for raw materials after our customers confirm order with us. We may place order earlier for raw materials which are of longer lead time or prone to supply shortage based on the sales forecast prepared by the sales department.
9. Upon the approval of the prototype by our customers, we proceed with arranging the necessary raw materials to be delivered to the EMS providers directly. Our EMS providers will conduct quality control on the raw materials and the finished goods. We have our staff on-site to provide production supervision and technical support. We also have quality control staff on-site to monitor the processing, assembly and quality control procedures. Our customer may also send their authorized persons to conduct quality check of the finished goods prior to shipment.

Export arrangements and delivery

10. After assembly, the finished goods are sent to a third party warehouse we engaged before shipment. We co-ordinate the export clearance and product delivery procedures for our customers. Sales are recognized when the products are delivered.

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After-sale services

11. Sales are made on outright basis. Only products with defects can be returned.
12. We offer up to 12 months product warranty for our products subject to negotiation with our customers. In most cases, our customers provide after-sales service to their own customers and the duration of such warranty varies. Upon our client's request, we may provide 2% to 3% of additional or spare mobile handsets, components and accessories as replacements during the warranty period for the end users. We also offer technical supports services to the after-sales team of our customers.
13. The lead time from the sales invoice or order date to the delivery date involving total new designs is approximately three to four months. The lead time from the sales invoice or order date to the delivery date involving modified designs based on existing model is approximately one and a half to three months. The lead time from the sales invoice or order date to the delivery date involving repeat orders is approximately one to two months.

PRODUCTS

During the Track Record Period, our primary products include feature phones and smartphones.

A smartphone is a mobile device which combines the function of a mobile handset and a conventional personal computer with functionality beyond making phone calls and sending text messages. A smartphone runs on an operating system which provides configuration options for the user to install and use various third-party applications (APPs). A smartphone is usually more advanced in computing capability and connectivity than feature phones. A feature phone typically provides voice calling and text messaging functionalities. Some advanced feature phones also have limited multimedia and internet capabilities and other services offered by the user's wireless service provider. As compared with smartphones, feature phones have limited web access, with limited ability to run third-party applications.

We have started exporting feature phones on ODM basis to India since 2007. In 2011, feature phones remained as our primarily products. Foreseeing the increase in demand for smartphones which are expected to attract higher profit margin, we started to change our product focus from feature phones to smartphones in mid-2012.

We successfully transited our product focus to smartphones in 2013 where more than 90% of our revenue was attributable to smartphones sales. Our gross margin for the years ended 31 December 2012, 2013 and 2014 were 12.0%, 10.8% and 13.6% respectively.

Nowadays, feature phones are generally perceived as low-end mobile handsets whereas smartphones are generally perceived as middle or high-end mobile handsets. Our average selling price for feature phones during the Track Record Period ranged from RMB136 per unit to RMB104 per unit, whereas the average selling price for smartphones ranged from RMB492 per unit to RMB568 per unit during the same period.

Most of our products shipped overseas are in complete form. As per our customers' requests, we also provide semi knock-down (SKDs) for our clients which are located in countries where importation of finished electronic devices attracts much higher taxes than those of components, such as Brazil. Our customers will be responsible for importing the goods into their countries as well as assembling and packaging of the products in their countries.

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Below is the breakdown of our revenue by product types during the Track Record Period:

	For the year ended 31 December											
	2012				2013				2014			
	Revenue	Percentage of total revenue	Sales Volume	Average Selling Price	Revenue	Percentage of total revenue	Sales Volume	Average Selling Price	Revenue	Percentage of total revenue	Sales Volume	Average Selling Price
		RMB'000	%	'000 units		RMB	RMB'000	%		'000 units	RMB	RMB'000
Smartphones	311,735	46.9	634	492	1,242,092	90.7	2,185	568	1,717,971	89.7	3,362	511
Feature phones	351,489	53.0	2,576	136	4,780	0.3	46	104	-	-	-	-
Smartphone component packs	-	-	-	-	121,528	8.9	322	377	196,277	10.2	408	481
Mobile device components	355	0.1	2	178	497	0.1	2	249	1,935	0.1	126	15
Total	<u>663,579</u>	<u>100.0</u>	<u>3,212</u>	<u>207</u>	<u>1,368,897</u>	<u>100.0</u>	<u>2,555</u>	<u>536</u>	<u>1,916,183</u>	<u>100.0</u>	<u>3,896</u>	<u>492</u>

Notes:

- (1) Since 2013, at the request by our customers, we sold certain component packs of smartphones (semi knock-down (SKDs) for mobile handsets which include hardware components such as display modules, camera modules, audio, sensors, etc.) that are assembled and packaged by our customer(s) after being imported to their country(ies), as they consider the importation of finished electronic devices attracts higher taxes than those of components in the relevant country(ies).
- (2) Mobile device components refer to spare mobile components and parts purchased by our customers for providing after-sale maintenance services to their end users.

We design and offer mobile handsets with a wide range of technical specifications to meet our customers' needs in different parts of the world. We offer mobile handsets adopting various mobile communication standards including 2G (the second generation of mobile communication standard), 3G (the third generation of mobile communication standard that allows mobile phones, computers, and other portable electronic devices to access the internet wirelessly defined by the International Telecommunications Union) and 4G (the fourth generation of a mobile communications standard intended to replace 3G, allowing wireless internet access at a much higher speed) in GSM, CDMA, EVDO, WCDMA and LTE, etc. with different operating frequency applicable to different countries and regions.

Below is the breakdown of our sales by mobile communication standards during the Track Record Period:

	For the year ended 31 December											
	2012				2013				2014			
	Revenue	Percentage of total revenue	Sales Volume	Average selling price	Revenue	Percentage of total revenue	Sales Volume	Average selling price	Revenue	Percentage of total revenue	Sales Volume	Average selling price
		RMB'000	%	'000 units		RMB	RMB'000	%		'000 units	RMB	RMB'000
2G	351,489	53.0	2,576	136	4,780	0.3	46	104	-	-	-	-
3G	311,735	46.9	634	492	1,363,620	99.6	2,507	544	1,152,263	60.1	2,658	434
4G	-	-	-	-	-	-	-	-	761,985	39.8	1,112	685
Others	355	0.1	2	178	497	0.1	2	249	1,935	0.1	126	15
Total	<u>663,579</u>	<u>100.0</u>	<u>3,212</u>	<u>207</u>	<u>1,368,897</u>	<u>100.0</u>	<u>2,555</u>	<u>536</u>	<u>1,916,183</u>	<u>100.0</u>	<u>3,896</u>	<u>492</u>

Note: Sales of 3G mobile communication standard include both smartphones sales and smartphone components packs sales.

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From 2011 to 2012, we were in the transition period shifting our product focus from feature phones to smartphones (which were expected to attract higher profit margin than feature phones). In 2013 and 2014, with (i) the improvement in the 3G infrastructure in emerging markets and (ii) our successful diversification into markets with higher demand for smartphones such as France, North America and South America, we successfully shifted our product mix consisting of over 99.0% of sales in smartphones and smartphone component packs. Our revenue was substantially increased by a CAGR of approximately 69.9% from 2012 to 2014 as a result of the increase in sales volume of smartphones.

Below are some of the mobile handsets we offer:



Smartphone with the following specifications:

Platform: Quad Core
Frequency: GSM: Band 850/900/1800/1900Mhz
WCDMA: Band 900/2100Mhz
FDD-LTE: Band 800/1800/2100/
2600Mhz
Size: 145x73x8.8 mm
Solution: 5.0" HD
Camera: 13M AF + 2M
Battery: 2200mAh
Memory: 8GB ROM + 1GB RAM
Features: BT/Wi-Fi/GPS/G-Sensor, Prox-Sensor, L-Sensor, E-compass



Feature phone with the following specifications:

Type: Slip and Rotated phone
Chipset: MT6235B
Network: EDGE 850/900/1800/1900MHz
Screen: Super slim 2.4" TFT QVGA 320*240
Memory: 256Mb+256Mb
Battery: 900mAh

SALES AND MARKETING

As at the Latest Practicable Date, our sales and marketing team consisted of 37 sales personnel led by Mr. Shen Guiping (divided into nine regional sales teams and one support team) and were responsible for sales to customers covering more than 25 countries, excluding China.

Sales

We are primarily engaged in developing, designing, production management and sales of mobile handsets for overseas markets. Our products are sold by our customers under their own or authorized brand names. According to the Frost & Sullivan Report, we ranked the fourth amongst the PRC smartphone ODMs in terms of shipment volume export from China in 2014.

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We have commenced offering ODM mobile handsets to overseas market since 2007. To the best information and knowledge of the Directors, the penetration rate of mobile handsets with advanced functionalities in emerging markets has been lagging behind those in developed countries, such as North America and western Europe.

With the foresight of Ms. Rong (one of our Founders) that there would be growing demand in mobile handsets with advanced functionalities in emerging markets, we started to focus on establishing and maintaining good business relationship with well established customers in Southeast Asia and India.

We became one of the pioneers to export feature phones with advanced functionalities in 2007 to these regions and have established long-term relationship with local distributors and network operators. With the emerging popularity of smartphones, we reap the benefit of early establishment of the relationship with these customers and successfully boosted our sales of smartphones to these countries over the Track Record Period. We recorded an increase in revenue from approximately RMB663.6 million in 2012 to RMB1,916.2 million in 2014.

Geographical analysis

The table below sets out the breakdown of our revenue by the geographical locations of our customers for the periods indicated:

	For the year ended 31 December					
	2012		2013		2014	
	Revenue <i>RMB'000</i>	Percentage of total revenue %	Revenue <i>RMB'000</i>	Percentage of total revenue %	Revenue <i>RMB'000</i>	Percentage of total revenue %
South Asia	441,716	66.6	356,055	26.0	183,008	9.5
Southeast Asia	117,585	17.7	357,607	26.1	93,727	4.9
Hong Kong	16,659	2.5	827	0.1	500,331	26.1
Other parts of Asia	59,083	8.9	230,013	16.8	174,961	9.1
Europe	1,340	0.2	234,640	17.1	259,877	13.6
South America	7,188	1.1	124,787	9.1	203,920	10.6
North America	4,628	0.7	64,968	4.8	424,465	22.2
Africa	15,380	2.3	–	–	75,894	4.0
Total	<u>663,579</u>	<u>100.0</u>	<u>1,368,897</u>	<u>100.0</u>	<u>1,916,183</u>	<u>100.0</u>

Notes:

- (1) South Asia includes India and Bangladesh.
- (2) Southeast Asia includes Philippines, Thailand, Vietnam, Malaysia and Indonesia.
- (3) Sales to Hong Kong mainly comprised of sales to certain mobile trading companies incorporated in Hong Kong who sell branded mobile handsets to various countries including but not limited to Philippines, Vietnam, Thailand, Malaysia, India, Indonesia, Korea and Pakistan.
- (4) Other parts of Asia includes Taiwan, Yemen, Pakistan, Dubai, Israel, Nepal, Sri Lanka and Turkey.
- (5) Europe includes France, Romania, Spain, Russia, Portugal and Italy.
- (6) South America includes Brazil, Chile and Venezuela.
- (7) North America includes USA, Mexico and Honduras.
- (8) Africa includes South Africa, Algeria and Morocco.
- (9) During the Track Record Period, approximately 2.2%, 9.8% and 7.8% of the total revenue is attributed to those of Sanctioned Countries and Russia (where certain Sanctioned Persons are located).

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In 2011, our revenue was mainly derived from the sales of feature phones to South Asia. We launched smartphones in late 2011 and started to change our focus from feature phones to smartphones which were expected to attract higher profit margin than feature phones. We strived to increase our sales of smartphone in South Asia (i.e. India) and Southeast Asia in 2012 and subsequently diversified to Europe and South America in 2013. For the year ended 31 December 2014, we have further increased our sales to North America, South America and Africa as a result of increase in demand of 3G smartphones as well as the launch of our 4G smartphones and we strategically diversified our market into these regions to expand our customer base.

The aggregate sales amount attributable to Asia (including South Asia, Southeast Asia, Hong Kong and other parts of Asia) remained stable for the years ended 31 December 2013 and 2014 which amounted to approximately RMB944.5 million and RMB952.0 million respectively. However, there were significant changes in sales by geographical segments within Asia. Sales to Hong Kong increased significantly from approximately RMB0.8 million for the year ended 31 December 2013 to approximately RMB500.3 million for the year ended 31 December 2014, whereas sales to South Asia and Southeast Asia have decreased significantly by approximately 48.6% and 73.8% for the year ended 31 December 2014 as compared to the same period in 2013. This was primarily due to our increase in sales to mobile handset trading companies in Hong Kong which in turn sell such products to various countries, primarily Southeast Asia (including, among others, Thailand and Vietnam).

Our Group has adopted temporary measures of diverting our sales to customers in Hong Kong from Southeast Asia due to certain specific considerations in 2014. Such decision was in response to the anti-China protests and riots in Vietnam in May 2014 and to various political events in Thailand during 2014. We reduced direct sales to these countries to minimize our risk of potential delay or default in payments. Instead, we increased sales to mobile handset trading companies in Hong Kong which, based on our previous industry experience, are reliable and with good reputation in having extensive sales network in Southeast Asian countries. Such decision was intended to maintain our market share and positioning in Southeast Asia while minimizing our credit risk exposure.

The decrease in sales made to South Asia was primarily due to feature phones being more common than smartphones in countries like India and Bangladesh, while we have changed our product offerings to 3G and 4G smartphones but the sales of our 4G smartphones in South Asia has yet to reach a significant volume. We, however, expect our revenue contribution from South Asia will increase in 2015 following the further establishment of 4G mobile network infrastructure in more cities in India by the second half of 2014. Following our successful expansion of customer base and commencement of business relationship in 2014 with a new customer in India being a leading local telecommunication operator, we expect our sales volume in India will increase in 2015 and South Asia will remain to be one of our key markets.

Other than the above, the increase in revenue generated from Hong Kong was also mainly attributable to a long-term customer (an Independent Third Party), being a well-established mobile handset supplier (since 2014 together with an unlimited company under common control of the shareholders of this Hong Kong customer), who supplies its own branded mobile handsets and trades mobile handsets of various third party brands to primarily Southeast Asian countries, east Europe and Dubai area, in which this Hong Kong customer has a well penetrated distribution network. The relevant Hong Kong customer is also an authorised dealer of a global branded mobile handset supplier in Hong Kong. We produce and supply mobile handsets to this Hong Kong customer on an ODM basis for its own brand from time to time. In 2014, our Group launched certain new products including 4G and 3G smartphones with certain newly introduced mobile chips which were well received by our customers and for the year ended 31 December 2014, our Group has recorded total sales of RMB907.7 million to approximately 20 customers for the sales of smartphones produced with the said two mobile chips. As a result of the expected popularity of these new products, some of our customers made bulk orders and planned to launch these products in 2014 as their flagship models at high prices. However, as some

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of our customers' end markets, including India, Philippines, France, South America and Bangladesh, had slower adaptation to these new products (at the pricing level) as our customers expected. For better inventory management and maintaining good relationship with our customers, after negotiation and with prior consents from our relevant customers, we have sold the slower inventory products to the relevant Hong Kong customer at normal commercial terms. Such sales to the Hong Kong customer amounted to approximately RMB218.2 million (representing approximately 11.4% of the total revenue for 2014) and all the sales proceeds were collected as at 31 December 2014. Apart from such sales of third party brand mobile handsets, we have also produced and supplied products to the Hong Kong customer on an ODM basis for its own brand products amounted to approximately RMB148.2 million (representing approximately 7.7% of the total revenue for 2014).

We had a total of one, one and six trading company customers in Hong Kong for each of the three years ended 31 December 2014 respectively, which accounted for approximately RMB16.7 million, RMB0.8 million and RMB500.3 million, representing approximately 2.5%, 0.1% and 26.1% of the total revenue for each of the three years ended 31 December 2014 respectively. The table below shows the changes in number of our trading company customers in Hong Kong during the Track Record Period:

	For the year ended 31 December		
	2012	2013	2014
Number of trading companies in Hong Kong			
As at the beginning of the period	1	1	1
Addition as a customer	–	–	5
Cessation as a customer	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>
At the end of the period	<u>1</u>	<u>1</u>	<u>6</u>

All of the Hong Kong trading companies are Independent Third Parties. We sold the products at our right basis. Other than two of the Hong Kong customers which we entered into framework agreement relating to sales, we had not entered into any framework agreement with other customers in Hong Kong. Summary terms of these framework agreements have been set out under the subsection headed “Business — Sales and Marketing — Agreements relating to sales” in this prospectus. All sales orders are made by way of purchase orders. Prices and terms are on normal commercial terms. There is no sales target or minimum purchase amount or sales and expansion targets set for Hong Kong customers. Our relationship with the trading companies are seller/buyer relationship. We grant two months credit terms to these customers and payments are usually made by telegraphic transfer. We have no control over these Hong Kong customers and no arrangements for distributing our products. All title and risks relating to the products are passed to the trading companies when the products are delivered to them. Sales are recognized when the products are delivered. Only defective goods can be returned and no return of defective goods occurred during the Track Record Period from these customers.

While the revenue attributable to trading companies has increased during the year ended 31 December 2014, our Directors consider our increase in revenue during the Track Record Period was not primarily due to the increase in sales made to trading companies or any accumulation of inventory due to such sales, but as a result of i) the increase in our average selling price from RMB207 per unit to RMB492 per unit as a result of upgrading our product offerings from 2G feature phones to 3G and 4G smartphones; ii) the increase in sales derived from Europe, South America, North America and Africa which were attributable to our successful expansion of customer base in these areas, including among others, top local branded mobile suppliers, while our total revenue derived from Asia region (which included the sales to trading companies) remained relatively flat between the year ended 31 December 2013 and 2014, being approximately RMB944.5 million and 952.0 million respectively; iii) there were no significant trade receivables long outstanding from these trading

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companies as at each of the three years ended 31 December 2014. All of the trade receivables outstanding from these trading companies as at 31 December 2014 were repaid as at the Latest Practicable Date, and to the best information and knowledge of our Directors, it is unlikely that these customers, who are Independent Third Parties, would accumulate any inventory with them.

The Sole Sponsor based on its independent due diligence (such as (a) the background searches and physical interviews conducted with the Group's major customers and trading company customers, for understanding the background of the increase or decrease in sales made to each customer and their independence with the company, as well as (b) considering the major terms between the sales made to the trading companies such as no return policy unless products are defective as well as considering the status of subsequent settlement of the trading companies and the overall growth strategy and financial performance of the Group) concurs with the Directors' view that the increase in revenue during the Track Record Period is not caused by accumulation of inventory as a result of increase in sales made to trading companies.

Our customers

Our customers include various top local branded mobile handset suppliers, telecommunication operators and trading companies in India, Southeast Asia, Europe, North America, South America, Africa and other parts of Asia.

The revenue attributed to our largest customer amounted to approximately RMB215.0 million, RMB257.4 million and RMB385.9 million for each of the three years ended 31 December 2014 which accounted for approximately 32.4%, 18.8% and 20.1% of our total revenue for the corresponding periods respectively. The revenue attributed to our five largest customers amounted to approximately RMB457.2 million, RMB835.1 million and RMB1,171.4 million for each of the three years ended 31 December 2014 which accounted for approximately 68.9%, 61.0% and 61.1% of our total revenue for the corresponding periods, respectively.

Below sets our major customers during the Track Record Period and their background:

- holding company of Karbonn Mobile India Private Limited, a leading mobile phone retailer in India who is primarily engaged in manufacturing and distribution of mobile phones (which ranked the third amongst local brands in terms of market share in India based on smartphone shipment volume in 2014 according to Frost & Sullivan)
- another holding company of Karbonn Mobile India Private Limited
- Dees Supreme Company Limited, a mobile handset supplier of a telecommunication carrier in Thailand and its local branded mobile handset retailer
- Top five customer for the years ended 31 December 2012 and 2013
- Top five customer for the year ended 31 December 2012
- Top five customer for the years ended 31 December 2012 and 2013

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- Cosmic Technologies Inc., a leading mobile phone retailer which operates the business of Cherry mobile in Philippines (which ranked the first amongst local brands in terms of market share in Philippines based on smartphone shipment volume in 2014 according to Frost & Sullivan)
- Top five customer for the year ended 31 December 2012
- Venda Electronic Corporation, a mobile handset supplier mainly to telecommunication carriers in Taiwan
- Top five customer for the years ended 31 December 2012 and 2013
- Archos S.A., the third largest homegrown mobile handset retailer based in France (in terms of market share in France based on smartphone shipment volume in 2014 according to Frost & Sullivan). It supplies various portable media players and portable data storage devices and smartphones
- Top five customer for the years ended 31 December 2013 and 2014
- Everwish Trading Limited (since 2014 together with Premier Trading Company which is under common control of its shareholders), a well-established mobile handset supplier in Hong Kong who supplies its own branded mobile handsets and trades mobile handsets of various third party brands to primarily Southeast Asian countries, east Europe and Dubai area, and has also been an authorised dealer of a global branded mobile handset supplier in Hong Kong
- Top five customer for the years ended 31 December 2011 and 2014
- a leading branded mobile phone provider in Latin America who aims to provide affordable, attractive and innovative mobile devices to suit a wide variety of consumer needs
- Top five customer for the year ended 31 December 2014
- a leading homegrown smartphone vendor in Brazil who is primarily engaged in manufacturing electronic devices such as mobile handsets
- Top five customer for the year ended 31 December 2014
- a branded mobile handsets importer and distributor in Dubai
- Top five customer for the year ended 31 December 2014

Customers may order mobile handsets based on our existing designs or with certain modifications, or they could request for a new design. If the order is expected to be fulfilled by developing a new model, we will generally require a deposit of 5% to 20% of the contract amount before our R&D team proceed with designing and developing the mobile handset model. Before 2014, we generally require full payment by 60 days letter of credit or payment by telegraphic transfer before the goods are delivered. In 2014, in order to increase our competitiveness, we granted credit terms to more customers. Credit period of 60 days to 90 days were granted to certain major customers as at 31 December 2014.

To the best knowledge of our Directors, none of our Directors and their respective close associates or any of the Shareholders holding more than 5% of our Company's share capital as of the Latest Practicable Date has any interest in any of our five largest customers during the Track Record Period.

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Pricing policy

We price our products on cost-plus basis as well as considering product model, market price, market condition and production cost. For models we previously produced, we make reference to material costs and make adjustments for the current market price for the same materials. For models to be developed, we assess the materials cost now and adjust for possible price fluctuation. In both cases, we also take into account of the outsourcing costs and complexity of the designs and the expected margins.

Credit control policy

We adopt a stringent credit control policy on our accounts receivables.

We generally require deposit of 5% to 20% from our customers upon placing the purchase order, particularly if the order is expected to be fulfilled by developing a new model of mobile handset. We generally require full payment by telegraphic transfer or accept up to 60 days letter of credit before the goods are delivered.

We also grant credit period to our customers. The credit term must be approved by both of our sales manager and finance manager before the credit terms were granted. Factors to be taken into account for granting such credit terms include, among others, the size, credit worthiness, business relationship as well as potential business opportunities with our customers. During the Track Record Period, we have generally granted credit terms from 60 to 90 days credit period to certain customers, in particular for those customers in markets where we would like to explore. In 2014, we granted credit terms to an increasing number of customers to expand our customer base and to increase our competitiveness. We granted an extended credit period to some of our customers on a case-by-case basis at the request of our customers. The factors we consider include, among others, the length of relationship and historical credit record of our customers. Our trade receivables turnover days are 51.2 days, 7.2 days and 33.0 days for each of the three years ended 31 December 2014 respectively.

For the purpose of risk management, we maintain export credit insurance policies to lower our credit risk. As at 31 December 2014, we maintained export credit insurance policy of insured amount of USD100 million with maximum compensation amount of up to US\$20 million, covering 90% of the losses incurred for business risks, political risks, delay in payments, winding up of debtors unless otherwise provided under the insurance policy and subject to specific insured amount approved by the insurance company for the relevant customers. The total export credit insurance expenses incurred amounted to approximately RMB94,000, RMB69,000 and RMB800,000 for each of the three years ended 31 December 2014, respectively.

We assess impairment of our accounts receivables based on our analysis of collectability and aging status of the receivables from time to time on case-by-case basis. In determining whether impairment is required, we take into account the aging and recoverability of the accounts receivables. During the Track Record Period, we did not make any provision for bad and doubtful debts.

Sales recognition, return policy and warranty

We recognise our sales upon delivery of the products. The product can only be returned in case of serious quality defect.

We offer 12 months warranty for our mobile handsets subject to negotiations with clients. We will charge our customer for repair and maintenance services beyond the warranty period.

In most cases, our customers offer after-sales services to their own customers. We may, upon customers' request, provide 2% to 3% of additional mobile handsets, components and accessories to our customers for

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replacement or repair during the warranty period which they provide to the end users. We also offer technical support services to the after-sales team of our customers.

We will liaise with our customers for any alleged quality issue on our products. The products will be sample tested by our quality inspector stationed at the production facility of our EMS provider before shipment. Some of our customers may also send personnel to conduct testing on site. In case our clients request for product return, our engineers will visit the client's site to conduct checking and solve the problem to the extent possible. If the problem cannot be solved during the warranty period and it is confirmed that there is a design or manufactory defect, the products will then be returned for replacement or repair. If the defect is caused by particular components or parts, we may seek compensation from our suppliers pursuant to the terms of the relevant supply agreements. We have no product recall since our establishment of the Overseas Business.

We make provision for potential repair and maintenance costs with reference to the costs of sales of the products that we offer warranty. We reverse the relevant provision shall the costs of repair service not incur in the subsequent year. For each of the three years ended 31 December 2014, the warranty, repair and maintenance accrued and the provisions made amounted to approximately RMB8.6 million, RMB12.5 million and RMB23.3 million, respectively, whereas approximately RMB13.4 million, RMB8.6 million and RMB12.5 million were reversed during the corresponding periods respectively.

Seasonality

There is no prominent seasonal pattern for our sales in the past few years though we noticed that the sales in the second half of the year is marginally higher than the first half. According to our customers, this may be due to an increase in demand for mobile handsets by mobile handset retailers in preparation for sales of mobile handsets on or around Christmas or specific holidays of various countries. Based on our management's experience, the sales amount has a more obvious correlation with the timing of the transition of technology of mobile telecommunication standards or upgraded mobile chipsets which lead to launch of new models.

Agreements relating to sales

Framework agreements

We enter into framework agreements with our customers subject to negotiations with our customers. Sales are confirmed by purchase orders and/or commercial invoices.

During the Pre-split Period, Benywave Technology entered into legally binding framework agreements with six of its customers (which have been terminated after the Split) and Benywave Wireless entered into legally binding framework agreements with twelve of its customers (the "**General Framework Agreements**") who are all Independent Third Parties. Key terms of the effective framework agreements are summarised as follows:

Agreement duration:	24 months.
Main provisions and exclusivity:	We supply mobile phone products to the customers on ODM basis for the local market (the " Products "). We agree not to supply the Products to other customers in the local markets.

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We shall indicate our estimated new mobile phone models to our customers on monthly basis.

- Price:** On prevailing market price to be agreed based on each sales order. The price may include 2% swap free of charge for after-service (i.e. we provide 2% of additional or spare mobile handsets, components and accessories to our customers who may need to replace mobile handsets or accessories to their end users or repair the handsets for their end users during the warranty period provided by our customers).
- Warranty:** We provide one year warranty since the delivery date. We shall take no responsibility for any defects caused by misuse, abuse, neglect, improper transportation or storage, improper testing, operations or use, improper maintenance or repair, alteration, modification, tampering, accident, or unusual deterioration or degradation of the product or part thereof due to physical environment beyond the requirement of product specification.
- Payment term:** Unless otherwise agreed in the individual purchase orders and/or invoices, a deposit in the amount of 10% of the total sales amount of the relevant orders shall be payable upon the order being made, and the remaining amount shall be payable by telegraphic transfer or 60 days of letter of credit before the Products are delivered.
- Sales target and sales return:** No sales target is set as guaranteed performance and there is no agreed terms on sales return.
- Grant of license of trade marks:** The customers warrant that they are the registered or authorised licensee of the registered owners of the relevant trademarks and have the right to and thereby license or sub-license us to produce or procure the production of mobile handsets bearing the relevant trademarks.
- Product standards and liabilities:** The customers shall inform us of the product standards and/or certifications required in the relevant territory when placing the relevant orders of products with us. We shall supply the products in accordance with relevant standards and obtain the relevant certifications at the instruction of the customer, and upon fulfilment of such obligations, we shall be discharged from all product liabilities or other legal liabilities relating to the sale of products to the customers.
- Intellectual property rights:** The proprietary rights in the design of the Products, including among others, the software source codes relating to the design of the Products, shall belong to us.
- Other provisions:** The customers are responsible for, among others, (i) obtaining any required import licenses to import products to the relevant territory; (ii) obtaining third party licenses and pay royalties for third party licenses for production of the products and the software installed in the products unless otherwise agreed by the parties.

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Termination clause: No particular termination clause is agreed. The agreement may be terminated upon mutual agreement between the parties.

If no framework agreement is entered into by us with the customers, we will incorporate the relevant clauses relating to intellectual property rights and the product standards and liabilities into the pro-forma sales invoices.

We do not sell our products directly to the retail consumers but instead, we deliver our products to our customers primarily on free-on-board terms (at Hong Kong ports) (FOB Hong Kong) in accordance with our customers' specifications for shipment worldwide. Free-on-board means our Group, as seller, pay for transportation of our products to the port of shipment plus loading costs while our customers, as buyers, pay the cost of freight transport, insurance, unloading and transportation from the arrival port to the final destination. The passing of risks occurs when our products are loaded on board at the port of shipment. Our titles in property and risk of the products sold to overseas customers are passed to the overseas customers when the products are delivered to the forwarder located in Hong Kong. Some customers may designate us to deliver our products to their offices in Hong Kong where the title and passing of risks occurs when our products reach their offices. We are responsible for the administrative procedures for the export of most of the products from China, where our customers were responsible for the procedures for customs entries of the products into their local countries and payment of import duties, if any.

Marketing

Sales leads are usually generated through our marketing activities, as well as referrals from our suppliers and customers.

We participate in various international exhibitions and trade fairs to showcase our products and increase our exposure in the market. These include for example, International Consumer Electronics Show (CES, a global consumer electronics and consumer technology tradeshow) in Las Vegas and Mobile World Congress in Barcelona, Spain.

We also identify potential customers in different countries and regions and proactively seek referrals by our major chip suppliers who have good business connections in global mobile communication industry of our targeted customers.

Besides, we are usually introduced to worldwide carriers in industry seminars or supplier bridging summits led by mainstream mobile chipset suppliers. We also arrange training sessions for our sales persons, which include standardized sales procedures, regular training held by chipset and raw material manufacturers, and field study in production facilities.

RESEARCH, DEVELOPMENT AND DESIGN

Research and Development Team

We take pride in having a dedicated R&D team which is consisted of 64 staff led by Mr. Pei Hongan, including experienced electronics, mechanical, software, driver and testing engineers and many of them have stayed with us for more than five years. To ensure the quality of our R&D staff members, we usually require a probation period of six months.

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The breakdown below illustrates the composition of the R&D department by functions as at the Latest Practicable Date:

Specific function in R&D department	Number of staff
Chief engineer and R&D project managers and team leaders	6
Software application engineers	30
Hardware and PCB layout design engineers	6
Driver engineers	8
Testing engineers	11
Others	<u>3</u>
Total	<u><u>64</u></u>

Majority of our R&D staff have received a bachelor degree in telecommunications or electrical and electronic engineering discipline. Majority of our R&D engineers are university graduates or vocational programme graduates, and we value their dedication to mobile phone technology R&D and innovative ideas to the design and engineering aspects of mobile phones.

To the best information and knowledge of our Directors, as China has been responsible for a large proportion of the handset production, R&D talents in the industry in China keep pace with the latest development of the technology. While the mobile telecommunication technology in the PRC and certain developed countries is ahead of those in many emerging markets, our PRC-based R&D team has been keeping pace with latest development of the technology. Our R&D team has mastered the designs for 4G smartphones and is capable of offering these products to our clients in developed countries. On the other hand, we are also in an advantageous position to design and tailor make mobile handsets with conventional technology and components but is capable of providing the popular functions such as high definition LCD screen, high resolution camera and high speed internet browsing for customers in emerging markets (where 2G or 3G mobile handsets are still in dominant position) with less efforts.

Material Technology and technical know-how

Whenever there is any newly developed software platform (e.g. Windows Phone of Microsoft), breakthrough development of mobile telecommunication standards (e.g. 4G) or advancement of mobile chipsets, our R&D team works on the software and mechanical design and engineering for producing a mobile handset with an aim to maximize the compatibility of various hardware, software and components of a mobile handset with specified functions.

We are now able to design mobile handsets for different systems of 2G, 3G and 4G, mainly including GSM, CDMA, EVDO, W-CDMA and LTE, etc. We can also carry out circuit board design and software development for our mobile handsets and conduct relevant testings.

During the Track Record Period, we developed over 750 mobile handset models meeting the needs of various customers. It generally takes two to three months for us to develop a new model for our product roadmap as introductory of our new product to customers or as designs according to our customers' request. If we are requested to make modifications to existing models to suit customers' requests, it generally takes one to two months.

Cooperation with third parties

Alpha Project

While we source mobile chipsets from various global leading chipset providers to ensure diversity in supplier relationship, we sometimes cooperate with our mobile chipset providers such as Qualcomm in alpha projects, namely, design, development and manufacture of mobile handsets using new chipsets to formulate the reference designs of mobile handsets in application of these newly developed mobile chipsets. These reference designs will be published by the relevant major mobile chipset suppliers to mobile handset manufacturers.

The Directors believe that the selection of alpha project partners by the chipset providers is usually based on comprehensive standards of the candidates, including R&D ability, industrial influence and relationship with suppliers. By such cooperation, our engineers will be able to receive the latest information of the new chipset provided by the trainings of the chipset providers, which is beneficial to us in our product development.

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In the project inception stage, we formulate work distribution and R&D timetable will be determined during project inception session. Then project definition will be completed with joint effort of both the sales department and R&D staff. In the core steps of R&D, mobile handset motherboard design comprises of three streams, namely software design, hardware design and PCB layout design, based on the chipset we have planned to use according to customers, requirement of the products. At the same time, case design will be finished for sourcing of suitable mould. Thereafter, assembled trial product will be tested before mass production. In general, it takes 2-3 months from project inception to the mass production stage.

As part of the arrangements under the Split, we lease certain large product testing equipment and facilities from Benywave Technology. The leasing fee is discussed and charged on an arm's length basis. For details, please refer to the section headed "Connected Transactions" of this prospectus.

During the Track Record Period, the total research and development expenditures amounted to approximately RMB13.1 million, RMB16.4 million and RMB22.0 million for each of the three years ended 31 December 2014, respectively.

We believe that our edge on the R&D and design capabilities enables us to appeal to our customers' needs, maintain business relationships with our existing customers as well as exploring new business opportunities.

OUTSOURCING AND PRODUCTION MANAGEMENT

Our management realizes the highest value adding segment in an ODM value chain lies in hardware and software design. We have been focusing on building our core strength in R&D. Our management considers it is important to maintain a robust business model in order to serve our overseas customers with diverse demand in the hardware and software specification. To ensure the optimal performance of our design, we have strict control over the sourcing of key components, i.e. chipsets, camera modules, display modules and audio modules. To the best information and knowledge of our Directors, our strategy to outsource the mass production and assembly process to EMS providers optimizes our strength and maximizes our returns.

We provide our EMS providers with production instruction and software design packs to be readily and directly applied on the SMT lines, and utilise their equipment and human resources to assemble our mobile handsets according to our design and technical specifications.

We have engaged our EMS providers at the early stage of our product design and development such as producing product samples and formulating suitable production procedures to minimize possibility of production disruption caused by potential technical problem and increase efficiency. We also participate in the production management of the EMS providers, by providing support and solution to any technical problems occurred. We send our quality controls staff to our EMS providers who will sample finished products before shipment to our customers to ensure product quality. For details, please refer to the subsection headed "Quality Control" in this section. During the Track Record Period, we have not had any material product defect which led to product recalls. We also perform monthly stock take at our EMS providers to ensure tight inventory management.

We choose our EMS providers based on a series of criteria, including among others: 1) capability to produce high quality products that satisfy diverse specification; 2) the ability to realize different designs; 3) efficient production within minimum production lead time; 4) assurance on security of confidential and commercial-sensitive proprietary information; and 5) competitive price among comparable EMS providers. We outsource the manufacturing to reliable EMS manufacturers to ensure quality of our products. According to Frost & Sullivan, Benywave Technology maintained long-term relationship with one of the EMS providers who is the second largest mobile handset EMS manufacturers worldwide in 2013 (in terms of market share based on shipment) for more than five years, and we maintain such relationship after the Split.

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During the Track Record Period, we have engaged six EMS providers who are all Independent Third Parties. We have entered into framework outsourcing contracts (the “**Outsourcing Agreements**”) with each of them for a term of two years. Under the Outsourcing Agreements, the EMS providers will manufacture and package the products according to the design and technical specifications provided, by using raw materials and components procured by us. For detailed disclosure of procurement, please refer to the subsection headed “Business — Raw materials and suppliers” in this prospectus.

In 2014 prior to the Split, we procured services from four of these EMS providers and approximately 60.6% of the subcontracting costs were attributable to the above major EMS providers. After the Split, we continued to engage three out of these four EMS providers. We entered into Outsourcing Agreements with each of these three EMS providers for a term of two years at similar terms adopted prior to the Split. For the three months ended 31 March 2015, approximately 58.7% of the subcontracting costs were attributable to the above major EMS providers.

The table below summarizes the main provisions of the Outsourcing Agreements:

Term or duration of agreement	:	two years, renewable by supplemental or new agreement
Main provisions and exclusivity	:	The EMS providers will be responsible for both trial production and mass production. The production facilities and testing facilities will be provided by the EMS providers.

The materials used for production will be supplied by us prior to production, or purchased by the EMS providers on behalf of us, and the EMS providers will check and accept the raw materials for us.

Purchase order containing technical specifications will be placed at least several days before production as specified by different EMS providers. We have the right to amend the specifications of the products and may change production plan.

Spillage or write-off of raw materials will be subject to confirmation by both parties, and the cost of which will be deducted from the subcontracting fees.

The EMS providers shall confirm the purchase order in written form and produce and deliver products according to the purchase order. The EMS providers shall be liable for late delivery of products and shall notify us of any potential delay of delivery and the reason(s). We will then negotiate for a new date for delivery.

The EMS providers shall conduct production independently and shall not assign production to third parties without our written consent.

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- Quality Assurance : The EMS providers are required to follow specific standards and procedures of testing the raw materials and products. Underachievement of quality standards over a certain ratio may give rise to starting over of production, such cost will be borne by the EMS providers.
- The EMS providers shall be liable for the losses of product recalls or product liability claims caused by them.
- Confidentiality : Neither party shall illegally obtain, use or disclose the commercial secrets of the other party. The commercial secrets shall be kept confidential in a period of one year or five years after the contract expires.
- Price : Pricing shall be determined monthly by the actual delivery amount of products, deducting the cost caused by spillage and write-off of materials, if any, as mutually confirmed by both parties.
- We may revisit the price and consider adjustment regularly, depending on our contracts with different EMS providers.
- Credit term : Usually 60 days.
- Termination clause : Either party has the right to terminate the contract if the other party breaches the contract and fails to rectify in time.
- Either party that has the intention to continue cooperation shall notify the other party in writing 20 days before the expiration date of the contract. A new contract shall be signed after negotiation if the other party also intends to extend such cooperation. Otherwise, the contract shall be deemed as terminated upon expiry.
- Stocktaking shall be done to determine the amount of stock of remaining materials upon termination of the outsourcing contracts, for returning to us.

During the Track Record Period, our subcontracting costs were approximately RMB42.2 million, RMB50.3 million and RMB92.6 million for each of the three years ended 31 December 2014 respectively.

QUALITY CONTROL

We adopt strict process control system and effective quality control scheme to maintain a high standard of our products, as the Directors believe that high quality of products is essential for us to maintain long-term relationship with our customers and to build reputation in the industry.

Our quality management system has complied with the requirement of GB/T 19001 – 2008/ISO9001:2008 Quality Management Systems Requirements and awarded a certificate for the design, development, manufacture and service of mobile phone on 17 November 2014, which remains valid for three years.

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We distribute our products to over 25 countries. We are able to offer products in compliance with various safety and industrial standards, including CE, RoHS, FCC, ANATEL, NCC, TA& BV, BIS, ICASA, 3C(CCC), UL, etc. If certain product standard certifications are required and specified by our customers, we will arrange prototypes to be sent to the relevant recognized independent third party laboratories before commencement of mass production.

Our customers inform us of the local required standards and certifications when placing orders with us. The table below shows a list of the standards implemented or specific requirements for mobile handsets or consumer electronic products in certain jurisdictions and we supply products satisfying these standards accordingly:

Jurisdiction	Standard(s)	Authority and Scope
Europe	CE	CE Marking indicates the conformity with the mandatory requirements stipulated by the European Commission Directives relating to safety, health and environmental protection for products sold in the European market.
	RoHS	RoHS is acronym for Directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment, which is adopted by the EU.
The U.S.A	FCC	FCC Rules are adopted by FCC and apply to among others, IT equipment.
Thailand	CE	Compliance with CE standards is mandatory as required by the National Broadcasting and Telecommunications Commission (the “NBTC”) of Thailand. An NTC ID number will be granted upon application for accreditation of compliance with CE standards by the NBTC. The NTC ID number shall be marked on IMEI label, label on the gift box and the carton of the products for identification.
Brazil	ANATEL	ANATEL is the National Telecommunication Agency in Brazil which is authorised to issue regulations to be observed in the certification and approval processes of the telecommunications products, for ensuring a minimum standard of quality of the telecommunications products marketed in Brazil.

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Jurisdiction	Standard(s)	Authority and Scope
Taiwan	NCC	<p>NCC stands for National Communications Commission of Taiwan, which is the regulatory authority of telecommunications services and type approval. Each model will be granted a unique number to be labelled on IMEI label and gift box of the product after testing and accreditation by institutions authorised by the NCC.</p>
India	BIS	<p>Under the Bureau of Indian Standards Act, 1986, BIS establishes Indian Standards in relation to any article or process and amends, revises or cancels the standards so established as may be necessary, by a process of consultation involving consumers, manufacturers, Government and regulatory bodies, technologists, scientists and testing laboratories through duly constituted committees.</p> <p>According to the BIS, among others, all the new designs of mobile handsets in India shall comply with the Specific Absorption Rate (SAR) values of 1.6 W/kg averaged over 1 gram of human tissue with effect from 1 September 2012, failing which, the mobile handsets will not be permitted to be imported into India. The information on SAR values should be made available to the end-consumer at the point of sale. For further information, please refer to the subsection headed “Regulations — Indian Laws and Regulations” in this prospectus.</p>
Philippines	NTC	<p>NTC stands for National Telecommunications Commission, which is the regulatory authority responsible for the regulation of telecommunications equipment and services in the Philippines. Mobile phones, which fall under the general category of customer premises equipment, are subject to type approval/type acceptance by the NTC. The mobile phone shall be marked by a tamper proof label prescribed by the regulations, containing, among others, the type approval number issued by the NTC.</p>

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Jurisdiction	Standard(s)	Authority and Scope
South Africa	ICASA	ICASA is the Independent Communications Authority of South Africa, the regulator for South African communications, broadcasting and postal services sector, which is responsible for the licensing and regulation of electronic communications and broadcasting services.
Other Jurisdictions	3C (CCC) (If no specific standards or certifications are required, we supply our products meeting standards for 3C or CCC)	3C or CCC, namely China Compulsory Certification, is the certification for commodity inspection and safety certification for electrical equipment implemented by the State General Administration of Quality Supervision, Inspection and Quarantine of China.

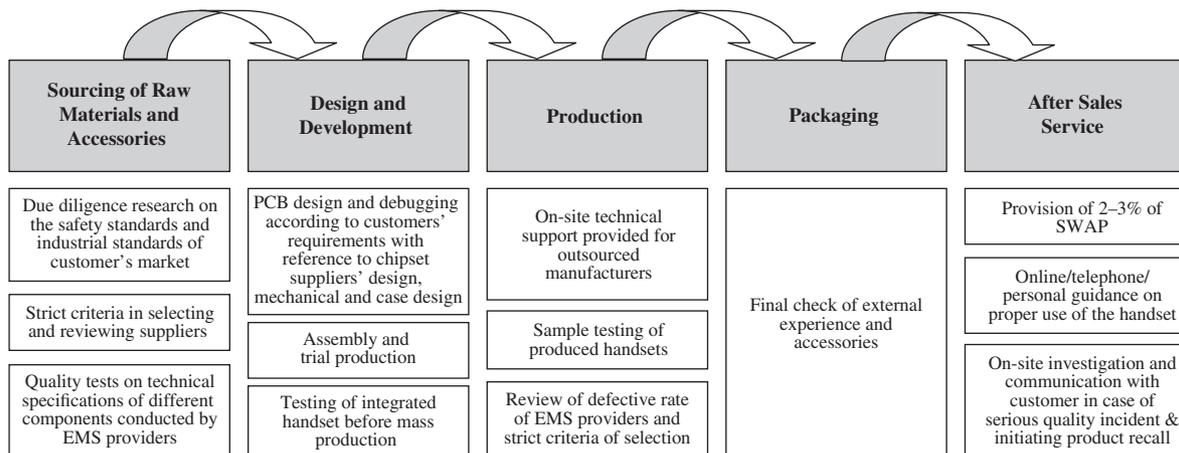
We also adopt sets of quality control standards for each of raw materials, finished products, achievement of telecommunication standards, accessories, etc. by sampling before shipment from supplier's warehouse and during our production process. For incoming raw materials and accessories, we have differentiated testing and inspection standards according to their specific projects, types and sources. We codified detailed corporate standards applicable to products of different telecommunication standards, including those of GSM, CDMA, CDMA 1X, WCDMA and LTE, on their interface, electromagnetic compatibility, performance, environmental adaptability, etc. Various kinds of testing will be conducted under certain standards, including structural capability test, hardware stress test, simulated user test, smartphone engineering model test and so on.

Our quality staff, including engineers and quality inspectors, station at the production facility of our EMS providers. The engineers provide on-site technical support and coordinate with raw material suppliers and EMS providers in case of quality problems. Our quality inspectors conduct sample quality checks on finished goods to ensure quality controls. We have entered into quality assurance agreements with our EMS providers or included quality requirement provisions in the outsourcing contracts. Under such arrangements, the EMS providers will be responsible for quality checks of the raw materials delivered to our EMS providers. Also, the EMS providers will rectify the products if the defective rate is over 1% at their own cost for raw materials and labour. The EMS providers will also be liable for all the losses caused by them if there is any product recall or claim arising from defective product. According to the agreement, we are entitled to the right to claim compensation for breach of quality provisions.

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If serious product defects occur, for instance, use of wrong material or hardware malfunction, we will send staff on-site to investigate and communicate with customers. Then we will recover our losses from relevant suppliers or EMS providers in accordance with the supply agreement or sub-contract agreement, as the case may be. The average outgoing defective rate of our handsets is approximately 0.3%, 0.2% and 0.3% for each of the three years ended 31 December 2014, respectively. The Directors believe that such average defective rate is below the industrial practice and within the quality control expectation of our Group. During the Track Record Period, we have not received any recall of products from our customers or delays in meeting product delivery schedule.

The diagram below illustrates how the quality control scheme functions in a standard flow of our business:



RAW MATERIALS AND SUPPLIERS

The major raw materials and components we purchase for manufacturing our products include electrical and electronic components such as display modules, camera modules and mobile chips (such as baseband processor ICs), etc. We purchased mobile chipsets from global leading chipset providers such as Qualcomm and Mediatek during the Track Record Period.

We adopt stringent criteria in supplier selection. We rate the supplier partners based on product quality, product defect ratio, and their scale of operations to minimize the risk of supply shortage, pricing and logistic arrangement capability. It is our strategy to maintain long-term relationship with our suppliers to maximize our bargaining power in terms of pricing, priority in using their latest products and priority in fulfilling our demand for stock at the time of short supply in the market.

We generally enter into framework procurement agreements and quality assurance agreements with our suppliers. Purchases are confirmed by purchase orders placed with our suppliers from time to time. The tables below summarize the main provisions of the framework procurement agreements and the quality assurance agreements:

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Framework Procurement Agreement

- Term : One year
- Main provisions : The suppliers supply certain parts or accessories of mobile devices to us.
- Product standard : The technical and quality standards applicable to the raw materials and all of the relevant parts and accessories shall comply with the technical standards specified by us and those promulgated by Ministry of Information Industry of the PRC. Defective products can be fixed, changed and returned.
- Payment and credit term : A credit term of 60 days is generally granted. Payment shall be made by telegraph transfer or bank draft.
- Transportation and Packaging : The suppliers shall be responsible for fees arising from packaging, insurance, warehousing and transportation to our designated place.
- Delivery and inspection : Delivery shall be made to the place designated on the purchase order, with at least one day notice to us. Outgoing inspection report shall be submitted upon arrival. We or our authorised party shall have right to inspect the goods together with the supplier immediately after the products are delivered. In case of failure of such inspection, a notice shall be made to the supplier within 5 days from delivery and all or part of the products can be returned or a discount shall be given subject to negotiation. Defective raw materials can still be returned if found during production.
- Warranty and assurance : The suppliers warrant that all the products supplied to us shall be new, complete, unused and comply with our specified quality standards. In case of imported raw materials, certificate of origin, testing and other applicable documents shall be submitted to us. The suppliers also warrant sufficient and timely supply and shall provide necessary training on products to us. In case of serious quality problem, the suppliers shall provide testing to our customer free of charge and make clarifications to the public where necessary.
- Confidentiality : Both party are obliged to keep confidential all commercial secrets and all the data, materials or other information received under terms of the agreement.
- Breach : The party in breach shall be subject to an amount of 5% of the total amount of the purchase order.

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Assignment and Termination : Assignment of the obligations or rights under the agreement is not allowed unless agreed by the other party in writing. The agreement shall be valid until the obligations thereunder have been fully performed after expiry of the term, unless written notification is made 90 days before expiry.

Quality Assurance Agreement

Quality standards : The suppliers shall comply with our latest corporate technical and quality standards issued from time to time. The suppliers shall also obtain our confirmation on design drawings, technical standards, and samples before production and delivery.

Quality assurance procedures : We shall have access to the factory to assess the inventory management, production facility management, defective product management, testing procedure, hazardous substance disposal and documentation keeping of the suppliers. The suppliers shall rectify according to our suggestions.

Environment protection : The suppliers shall comply with RoHS and the regulations promulgated by PRC government. Prior notice shall be given if any of the hazardous substance defined in RoHS Directives is used. We are entitled to claim all the damages caused by the suppliers' breach of the Directives.

Records keeping : The suppliers shall submit inspection report to us and ensure traceability of every batch of the products.

Product Inspection : The suppliers shall submit samples for us for inspection and testing before mass production. Products are subject to inspection upon arrival at our EMS provider's production facility. In case of defective products, the suppliers shall provide alternative products and response within our specified period. The suppliers shall change the products free of charge if the defect is caused by them, and shall bear the cost of disposal of defective products and related staff cost. We are entitled to claim compensation from the suppliers for the other damages caused by the defect.

Compensation of damages : If the defective rate is over 5%, the suppliers shall compensate us the amount of including but not limited to the testing expenses, staff cost, administrative cost, etc. If media exposure is involved, we are entitled to claim reputation damages in addition to our actual losses.

Term and other matters : The agreement shall be valid during the existence of the business relationship between both parties.

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We will place purchase orders at our discretion. The prices will be determined each time an order is placed and subject to arm's length negotiation with our suppliers. As at 31 December 2014, we have maintained business relationship with all of our top five suppliers for more than three years. They usually grant us a credit term of 30–60 days or may require cash on delivery on rare occasions.

During the Track Record Period, the purchase from our largest supplier amounted to approximately RMB45.6 million, RMB269.7 million and RMB237.9 million for each of the three years ended 31 December 2014, representing approximately 8.2%, 21.3% and 14.1% of the total purchase of the Company for the corresponding periods respectively. The purchase from the five largest suppliers amounted to approximately RMB158.9 million, RMB492.1 million and RMB908.1 million for each of the three years ended 31 December 2014, representing approximately 28.5%, 38.8% and 53.9% of the total purchase of each relevant periods respectively. To the best information and knowledge of our Directors, none of our Directors and their respective close associates or any of the Shareholders holding more than 5% of our Company's share capital as of the Latest Practicable Date has any interest in any of our five largest suppliers during the Track Record Period.

Most of our suppliers are communication and electronic technology companies in China, located mainly in Beijing, Shanghai, Zhejiang Province and Guangdong Province. The Directors believe that it is more efficient and economic to source raw materials and components in China as it has a complete industrial chain with abundant supply. According to the Frost & Sullivan Report, the prices of the raw materials generally were in a decreasing trend or remained stable from 2011 to 2013. During the Track Record Period, we have not experienced any substantial fluctuation of price in core materials and components. To the best information and knowledge of our Directors, there may be sudden shortage in supply of certain raw materials or components (such as mobile chips). If there is a sudden shortage in supply of the relevant raw materials or components or there is any delay in supplying of the raw materials or components, it could cause delay in fulfilment of our orders. If the relevant raw materials or components are no longer available, we may stop supplying certain mobile models or modify certain specifications of the mobile phones to adapt to the use of raw materials or components in other brands. We may find it difficult, costly and time-consuming to find alternative supply for these materials and components, or to change handset design to use the alternative materials and components.

To minimize the above circumstances, we generally purchase these raw materials directly from the manufacturers or from electronic component trading companies with whom we have long-term relationships. When there is any shortage of raw materials or components, the market including our customers are generally aware of such fact and they generally accept delay in supplying of the products or modification of the mobile phone models without resort to any legal proceedings. During the Track Record Period, we had not experienced any shortage of raw materials resulted in any material adverse effect on our business.

INVENTORY CONTROL

Our inventories consist of raw materials, work-in-progress and finished products.

Due to the relatively short product life circle and accelerated product development period resulted from fierce competition in the mobile handset industry, the Directors believe for inventory control it is critical to maintain a benign circle of inventory.

We believe the key in inventory control is balancing the risk of stock obsolescence and possible supply shortage of raw materials. We may place order with our suppliers in advance for certain materials which are of longer lead time and prone to shortage based on sales forecast, including motherboard, display modules, camera modules and mobile chips. During the Track Record Period, we have not faced any material shortage of key components.

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Our inventory control information system enables us to check the inventory status on a realtime basis to manage the level of stock. Monthly analysis will be conducted to manage the obsolete inventory by way of depreciation or disposal. Our EMS providers will also conduct stock taking each month together with our onsite staff. We will also send our employees from our headquarter to the EMS providers to participate in stock taking every six months.

We carry out physical inventory counts on a monthly basis for better control and management of inventories to ensure the accuracy and completeness of stock-in and stock-out information on record. Provision will be made for inventories which are considered obsolete after taking into account the aging of the inventory items, the movements and usefulness or residual value of the inventories.

For each of the three years ended 31 December 2014, we made provision for inventories obsolescence of approximately RMB2.7 million, RMB3.0 million and RMB2.5 million respectively.

INTELLECTUAL PROPERTY RIGHTS

We have applied trademark of “” in Hong Kong and the PRC.

As a mobile handset supplier on ODM basis with design capability, we supply mobile handsets to our customers in their own or authorised brands.

To manage the risk of infringing third parties’ intellectual property rights, we obtain trademark certificates or license or authorizations to check if our potential customers has the right to authorize us to manufacture products in the relevant trademarks.

Third party licences

Our products are installed with common operating systems such as Android and Windows. If our customers require any specific third party software to be installed in the products, they will bear the costs. However, these situations seldom occur.

If required, we enter into licensing agreements with our suppliers where we are required to pay certain royalties for the mobile handsets assembled with their components. During the Track Record Period, Benywave Technology has been a sub-licensee of one of our suppliers, pursuant to a licensing agreement of which, among others, we are required to pay royalties for certain components supplied by them, with reference to the quantity of mobile handsets sold which are equipped with certain model of components supplied by them. There is no specific term of duration for the licensing agreement. Benywave Wireless became a separate sub-licensee of the relevant supplier at similar terms of the relevant licensing agreement after the Split.

China’s National Development and Reform Commission (“**NDRC**”) has lately issued an Administrative Sanction Decision in February 2015 stating that the relevant supplier has been charging royalty fees at an unfair rate by abusing its dominant position in the market which violated the Anti-Monopoly Law in China and imposed a fine of RMB6.088 billion. The relevant supplier has agreed to implement a rectification plan that modifies certain of its business practices in China and that fully satisfies the requirements of the NDRC’s order. Under the rectification plan, the relevant supplier will not sell the baseband chips to its customers conditioned upon such customer signing a license agreement with terms that the NDRC found to be unreasonable or on the chip customer not challenging unreasonable terms in its license agreement. The relevant supplier continues to supply mobile chips to the Group and however, due to the above incident, we have not yet received invoices from the supplier for certain royalty expenses payable for the year ended 31 December 2014. Our total royalty expenses incurred amounted to approximately RMB5.1 million, RMB19.6 million and RMB43.2 million for each of the three years ended 31 December 2014 respectively. Out of these royalty

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expenses, approximately RMB5.1 million, RMB19.6 million and RMB30.0 million for each of the three years ended 31 December 2014 were paid based on actual invoices received from the relevant supplier. Our supplier assigns their independent auditors to carry out necessary audit review procedures on its licensees and sub-licensees including our Group to verify that the royalty fees paid and payable to the relevant supplier from time to time are sufficient. As at the Latest Practicable Date, our Directors were not aware of any disputes arising between our Group and the relevant supplier in relation to our royalty fees paid. The remaining royalties of approximately RMB13.2 million for the year ended 31 December 2014 was accrued with reference to historical royalties and other related expenses incurred and at rates indicated by the relevant supplier. Based on the above, our Directors consider that our Group had paid and/or provided for sufficient royalty fees timely during the Track Record Period. Notwithstanding the above, foreseeing the rectification plan that the supplier is carrying out under the requirements of the NDRC, the Directors consider there may be changes to the royalty fees payable in relations to the use of mobile chips purchased from this supplier in the future.

Further, although our supplier assigned their independent auditors to carry out necessary audit review procedures on its licensees and sub-licensees including our Group to verify that the royalty fees paid and payable to the relevant supplier from time to time were sufficient and the Directors were not aware of any disputes arising between our Group and the relevant supplier in relation to our royalty fees paid as at the Latest Practicable Date, we cannot assure you that there would not be any disputes arising from royalty fees and other related expenses paid or payable by the Group to the relevant supplier in the future.

Taking into account that the above royalty fees only represented approximately 0.9%, 1.6% and 2.6% of the total costs of sales for each of the three years ended 31 December 2014, we do not consider any uncertainty arising from the above would cause material adverse impact on the operations or financial performance of our Group.

We have also adopted the following policy to manage the risk of infringing third parties' intellectual property rights:

- softwares downloaded to our products shall be approved by each of the sales manager, R&D project manager and in-house legal respectively, to confirm that the relevant software are properly licensed or self developed; and
- no artistic works such as songs or music pieces shall be downloaded on our product unless approved by each of the sales manager, R&D project manager and in-house legal respectively, to confirm that proper licenses are obtained from owner of the copyright owner.

For other internal control policies relating to protection or management of risks regarding intellectual properties, please refer to the subsection headed "Business — Internal Control and Risk Management" in this prospectus.

During the Track Record Period, we are not aware of any disputes, claims or litigations related to intellectual properties of our Group.

COMPETITION

Due to rapid advancement of technology and increased expectation of customers for more personalized mobile handsets, the telecommunication and consumer electronics industry is highly competitive. The Directors consider that the industry chain for the production of mobile handsets in China has been highly complete and mature, and the major competitors of our Group are ODM mobile handset suppliers such as Huaqin, Longcheer and Wingtech.

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The Directors believe that the major entry barriers for overseas market are technical ability, customer relationship and supplier relationship. The Directors consider that the technical ability is essential for providing quality products and adapting to rapid market change, and hence very important to establish solid reputation among customers. Our customer relationship is established based on our product quality, short design lead time, which is in turn supported by strong supplier and EMS provider relationship established over the years. The Directors consider these as our Group's major competitiveness, which distinguish our Group from its competitors. According to the Frost & Sullivan Report, we ranked the fourth amongst the PRC smartphone suppliers on ODM basis in terms of export shipment volume in 2014. Besides, since we do not sell self-branded mobile handsets, we avoid ourselves from direct competition from our competitors in overseas market as our customers would encounter. Our Directors consider this a deliberate strategy and do not plan to make any change in the recent future.

We adopt different strategies to remain competitive. For further details, please refer to the subsection headed "Business – Our Business Strategies" in this prospectus.

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL PROTECTION

We are subject to national and local environmental protection laws and regulations in China. As we have engaged EMS providers to take up production of our products, our daily business does not involve manufacturing. Hence our business activities and operations generally do not result in production of any harmful pollutants. For processing the waste materials generated during our business routines (such as fluorescent tubes and toner cartridges), we have entered into Dangerous Waste Materials Commissioned Disposal Contract with an environmental protection technology company who will collect the waste materials at scheduled place and time.

Our costs of compliance with the applicable environmental rules and regulations are approximately RMB5,000, RMB4,000 and RMB4,000 for each of the three years ended 31 December 2014 respectively. The expected cost of compliance with applicable environmental rules and regulations for the year ending 31 December 2015 is expected to be approximately RMB4,000.

In addition, we have a management system for our working environment, which lists over 60 environmental situations and its control measures. Each listed situation will be analysed from its influence, emergency status, geographic location, responsible department and recorded by its compliance rate and importance.

We have obtained certificates for compliance with the requirements of GB/T 24001-2004 idt ISO14001:2004 and GB/T 28001 – 2011/OHSAS 18001:2007 for our environmental management system and occupational health and safety management system respectively on 17 November 2014. Both of the certificates will expire on 16 November 2017.

As at the Latest Practicable Date, no administrative sanctions, penalties or punishments were imposed upon us for the violation of any environmental laws and regulations. The Directors confirm that our Group is in compliance with the existing PRC environmental protection laws and regulations, and are not aware of any material breach of them.

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EMPLOYEES

As at the Latest Practicable Date, we have 120 staff members in total. Most of them are based in Beijing. The table below shows the breakdown of our employees and staff members by their functions:

Functions	Number of employees
Sales and Marketing	37
R&D	64
Procurement and Outsourcing	5
Quality Control	5
Human Resources	1
Legal and Compliance	1
Others	7
Total	120

Training

It has been our Group's policy to provide all-round training to its employees. Usually it includes on-board training as well as continuing education opportunities depending on the job function of the employee. The Directors consider that training is crucial to maintain competitiveness in design and development abilities. Hence, the R&D department will hold internal trainings, depending on the intensity of workload, where each employee will have a chance to share his or her professional experience related to personal function with other colleagues. Besides, chipset suppliers will also hold free workshops and trainings regularly, usually once a quarter. Relevant staff will attend the workshops and trainings to keep them abreast with new technologies and technical trend.

Also, we arrange training sessions for our sales persons to enhance their knowledge of the relevant products. For details of such training, please refer to the subsection headed "Business — Sales and Marketing — Marketing" in this prospectus.

Confidentiality and non-compete undertakings

We require our employees to undertake confidentiality and non-compete obligations by contract. Under such contract, each of the employees is bound to keep our technologies and commercial secrets confidential and forbidden from competing with us both during and after his or her term of employment. Also, it is provided in the contract that the intellectual properties and other commercial secrets generated in the process of an employee's job duties or based on our material and technical conditions or business information shall belong to us.

Other employee-related internal rules

Apart from the above, we have also implemented other internal rules for better administration of the employees. We have petty cash administration rules. Employees of different ranks are allowed to withdraw cash subject to approval by department head or general manager in an amount ranging from RMB1,000 to RMB20,000 for business trip, occasional procurement and other situations of payment. For management of overtime work and roster, application form and approval by department head and/or CEO is required, and overtime allowances or time-off in lieu will be granted. We have also established work attendance and performance review measures by adopting attendance and holiday management measures, punitive measures for negligence and breach of duty by attendance administrators, post duty system, entry-exit job and job rotation management rules and internship management rules, etc.

BUSINESS

Social insurance and housing provident funds

We maintain social insurance and housing provident funds for all of our employees. During the Track Record Period and up to the Latest Practicable Date, we have duly made contributions to the social insurance and housing provident fund for our employees.

LICENSE AND PERMITS

The Directors believe that we have obtained all material requisite licenses, permits and approvals for our operations. We set out below the material licenses, permits and approvals for our operations:

Type of licenses, permits and approvals	Holding entity	Issuing authority	Validity period/Term
Customs Declaration Unit Registration Certificate (海關報關單位註冊登記證書)	Benywave Wireless	Custom of Beijing Economic-Technological Development Area	Long-term effective (effective from 21 August 2014) (No expiry date stated)
The Foreign Trader Registration Form (對外貿易經營者備案登記表)	Benywave Wireless	Beijing Municipal Commission of Commerce	Long-term effective (effective from 8 August 2014) (No expiry date stated)
Radio Dealers Licence (Unrestricted) (無線電商牌照 (放寬限制))	Vital HK	Communications Authority of Hong Kong	14 October 2014 to 15 October 2015

Upon the establishment of Vital HK in 2014, we may consider utilising its Radio Dealers License for sourcing certain raw materials and other liaison work with our overseas customers where our management considers appropriate in the future.

BUSINESS ACTIVITIES IN SANCTIONED COUNTRIES

The U.S. and other jurisdictions, including the EU, Australia and the United Nations, have comprehensive or broad economic sanctions targeting the Sanctioned Countries.

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Sales in the Sanctioned Countries

We have had product sales in connection with certain of the Sanctioned Countries, namely, Yemen, Venezuela and Russia (where certain Sanctioned Persons are located). Below sets out the number of customers in the relevant jurisdictions and their backgrounds:

Jurisdiction	For the year ended 31 December			Background
	2012	2013	2014	
Yemen	3	2	2	Trading companies of mobile handsets; wholesaler of mobile handsets and telecommunication solution provider
Russia	–	2	2	Wholesalers focusing on trading of mobile phones and buying agent for branded mobile phones
Venezuela	–	–	1	Supplier of branded mobile phones under a telecommunication company in Venezuela
Total:	<u>3</u>	<u>4</u>	<u>5</u>	

Sales are confirmed by purchase orders and/or commercial invoices with our customers in these jurisdictions. We have entered into framework supply agreements with one customer in Yemen and one customer in Russia, the terms of which are substantially similar to those of General Framework Agreements as set out under the subsection headed “Business — Sales and Marketing” in this prospectus.

The following table sets out the sales revenue attributable from each of the Sanctioned Countries and Russia (where certain Sanctioned Persons are located) during the Track Record Period:

Jurisdiction	For the year ended 31 December					
	2012		2013		2014	
	Revenue <i>RMB'000</i>	Percentage of the total revenue %	Revenue <i>RMB'000</i>	Percentage of the total revenue %	Revenue <i>RMB'000</i>	Percentage of the total revenue %
Yemen	14,449	2.2	70,031	5.1	43,644	2.3
Russia	–	–	64,371	4.7	98,797	5.1
Venezuela	–	–	–	–	7,643	0.4
Total:	<u>14,449</u>	<u>2.2</u>	<u>134,402</u>	<u>9.8</u>	<u>150,084</u>	<u>7.8</u>

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As advised by DLA Piper, our legal advisers as to International Sanctions laws, based on the following procedures conducted by them, our Group's business activities in Sanctioned Countries, namely, Yemen, Venezuela and Russia (where certain Sanctioned Persons are located) during the Track Record Period are not sanctioned activities under the International Sanctions laws and do not implicate the applicability of International Sanctions laws on our Group, or any, person or entity, including our Group's investors, the Stock Exchange, the HKSCC and the HKSCC Nominees:

- (a) reviewed documents provided by us that evidence our sales transactions to customers in the Sanctioned Countries and Russia (where certain Sanctioned Persons are located) during the Track Record Period;
- (b) received written confirmation from us that neither our Group nor any of our affiliates has conducted any business dealings in or with any other countries or persons that are the subject of International Sanctions during the Track Record Period; and
- (c) reviewed the list of customers to whom such sales of products have been made during the Track Record Period against the lists of Sanctioned Persons, and confirmed that none of our customers are on such lists.

In relation to our sales to customers in the Sanctioned Countries and Russia (where certain Sanctioned Persons are located) during the Track Record Period, we have not been notified that any sanctions will be imposed on us. None of the contracting parties are specifically identified on the Specially Designated Nationals and Blocked Persons List maintained by the OFAC or other restricted parties lists maintained by the EU, the United Nations and Australia and therefore would not be deemed as sanctioned targets. Our such sales do not involve industries or sectors that are currently subject to specific U.S., EU, the United Nations or Australia sanctions and therefore are not deemed to be prohibited activities under International Sanctions laws and regulations.

Taking into account our Group's business activities in the Sanctioned Countries and Russia (where certain Sanctioned Persons are located) are not sanctioned activities under the International Sanctions laws and do not implicate the applicability of International laws on our Group, or any, person or entity, including our Group's investors, the Stock Exchange, the HKSCC and the HKSCC Nominees, and in order to maintain sales revenue and to maximise the Shareholders' interests, we will continue to carry out the above business activities. Our Directors however do not expect any significant increase or decrease in our Group's sales to the Sanctioned Countries and Russia (where certain Sanctioned Persons are located) upon Listing.

The Sole Sponsor, based on the above advice from our PRC Legal Advisers and DLA Piper, is of the view that the risk of sanctions violations as a result of our Group's sales to Sanctioned Countries and Russia (where certain Sanctioned Persons are located) during the Track Record Period and the expected sales to Sanctioned Countries and Russia (where certain Sanctioned Persons are located) upon Listing is remote.

Our undertakings and internal control procedures

We undertake to the Stock Exchange that we will not use the proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Sanctioned Countries, Russia (where certain Sanctioned Persons are located) or any other government, individual or entity sanctioned by the U.S., the European Union, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions. In addition, we have no present intention to undertake any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees or our Shareholders to violate or become a target of sanctions laws of the U.S., the European Union, the United Nations or Australia. We will also

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disclose on the respective websites of the Stock Exchange and our Company if we believe that the transactions our Group entered into in the Sanctioned Countries and Russia (where certain Sanctioned Persons are located) would put our Group or our Shareholders and investors to risks of being sanctioned, and in our annual reports or interim reports our efforts on monitoring our business exposure to sanctions risk, the status of future business, if any, in the Sanctioned Countries and Russia (where certain Sanctioned Persons are located) and our business intention relating to the Sanctioned Countries and Russia (where certain Sanctioned Persons are located). If we were in breach of such undertakings to the Stock Exchange, we risk the possible delisting of our Shares on the Stock Exchange.

We will continuously monitor and evaluate our business and take measures to protect the interest of our Group and our Shareholders. The following measures have been fully implemented as of the date of this prospectus.

- We will evaluate the sanctions risks prior to determining whether we should embark on any business opportunities in the Sanctioned Countries and/or with Sanctioned Persons. According to our internal control procedures, the risk management committee of our Board needs to review and approve all relevant business transaction documentation from customers or potential customers from Sanctioned Countries and/or with Sanctioned Persons. In particular, the risk management committee of our Board will review the information (such as identity, nature of business, etc.) relating to the counterparty to the contract along with the draft business transaction documentation. The risk management committee of our Board will check the counterparty against the various lists of restricted parties and countries maintained by the U.S., the EU, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions which lists are publicly available, and determine whether the counterparty is, or is owned or controlled by, a person located in any of the Sanctioned Countries or a Sanctioned Person. If any potential sanctions risk is identified, we will seek advice from reputable external international legal counsel with necessary expertise and experience in international sanctions law matters.

In order to ensure our compliance with those undertakings to the Stock Exchange, our Directors will continuously monitor the use of proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Sanctioned Countries, Russia (where certain Sanctioned Persons are located) or Sanctioned Persons.

- The risk management committee of our Board will periodically review our internal control policies and procedures with respect to sanctions law matters. As and when the risk management committee considers necessary, we will retain external international legal counsel with necessary expertise and experience in sanctions law matters for recommendations and advice.
- If necessary, external international legal counsel will provide training programs relating to the sanctions laws to our Directors, our senior management, our legal department and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations. Our external international legal counsel will provide current list of Sanctioned Countries and Sanctioned Persons and entities to our legal department, who will in turn disseminate such information throughout our domestic operations and overseas offices and branches.

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- To further enhance our existing internal risk management functions, our Board has established a risk management committee. The members of such committee comprise Mr. Hon Kwok Ping, Lawrence, our independent non-executive Director responsible for our Group's internal control matters, Ms. Rong and Mr. Rong Shengli, each being an executive Director and its responsibilities include, among others, monitoring our exposure to sanctions law risks and our implementation of the related internal control procedures. Our risk management committee will hold at least two meetings each year to monitor our exposure to sanctions law risks. For more information of the risk management committee, please refer to the subsection headed "Internal Control and Risk Management" in this prospectus below.

With regard to the internal control measures set out above, after undertaking relevant due diligence, and subject to the full implementation and enforcement of these measures, the Sole Sponsor is of the view that these measures will provide a reasonably adequate and effective framework to assist our Company in identifying and monitoring any material risk relating to sanctions laws. Our Directors are of the view that these measures will provide a reasonably adequate and effective framework to assist us in identifying and monitoring any material risk relating to sanctions laws.

LITIGATION AND LEGAL COMPLIANCE

During the Track Record Period, we have not been involved in any material litigation, administrative proceedings or claims. We were only engaged in litigations related to labour disputes with three of our previous employees relating to late payment of wages during the Track Record Period. The cases have been settled and the total amount has been paid to the three employees was RMB67,610. To the best information and knowledge of our Directors, apart from disclosed above, we were not involved in any legal proceedings and not aware of any claims that might threaten us as at the Latest Practicable Date. We have complied with the relevant laws and regulations in all of the material aspects of our business and operations during the Track Record Period.

INTERNAL CONTROL AND RISK MANAGEMENT

We put in place other various internal control policies and measures to ensure continuing compliance of applicable laws, rules and regulations and to control our business risks on various facets. These facets and measures covered, include among others, the following:

For the purpose of controlling and managing various business or financial risks of our Group:

- the management shall meet semi-annually or as called upon by any member of the risk management committee; the risk management committee shall, with reference to the business and operation environment and financial position of our Group as well as the changes in the economic and political conditions, identify potential risks (such as business risks) faced by our Group and to assess such risks and implications to our Group; and the risk management committee shall also design and develop measures to address and mitigate such risks as well as assign designated persons for implementation and subsequently monitor and report of such measures.

The biography profiles of the members of the risk management committee are set out in the section headed "Directors, Senior Management and Employees" of this prospectus.

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For the purpose of compliance of the applicable laws, rules and regulations:

- legal advisers as to Hong Kong law have provided trainings to the Directors and senior management of our Group on the continuing obligation of a listed company in Hong Kong and on directors' responsibilities and liabilities, and will provide trainings or regular seminars and updates twice a year on the continuing obligation of a listed company in Hong Kong and on directors' responsibilities and liabilities to directors and senior management after the Listing;
- we have appointed Haitong International Capital Limited as our compliance adviser with effect from the date of Listing to advise on ongoing compliance with Listing Rules issues and other applicable securities laws and regulations in Hong Kong;
- we have appointed Mr. Chui Man Lung, Everett as our company secretary in August 2014 and also appointed professional company secretarial firm who will be responsible for company secretarial matters of our Group. Mr. Chui is an experienced financial controller and company secretary. Please refer to the subsection headed "Directors, Senior Management and Employees — Company Secretary" in this prospectus for biography of Mr. Chui. Our Directors believe that our Company will be able to draw on the expertise of both Mr. Chui and the company secretarial firm with respect to compliance with applicable legal requirements;
- we have an in-house legal who is a qualified PRC lawyer, who is responsible for providing internal legal advises to various departments such as sales, R&D and human resources, etc.;
- we engage external legal counsel to advise us on particular issues from time to time.

For the purpose of minimising the business risks, we adopt the following policies:

- we conduct due diligence on new customers before starting business relationship with them, which include, among others, obtaining credit reports from search agents, obtaining business license of the customers and conduct site visits to check the existence of the customers and credibility;
- to manage and reduce the risk of infringing third parties intellectual property rights during the course of business, we adopt the following policies:
 - obtain trademark certificates or license or authorizations to check if our potential customers has right to authorize us to manufacture products in the relevant trademarks;
 - softwares loaded to our products shall be approved by each sales manger, R&D project manager and in-house legal who confirms that the relevant software are property licensed or self developed;
 - no artistic works such as songs or music shall be loaded on our product unless approved by each sales manger, R&D project manager and in-house legal who confirms that proper license are obtained from the copyright owner;
 - arrange orientation briefing and/or seminar to be provided by in house legal counsel to management, sales and R&D staff to enhance their legal awareness and knowledge of compliance with laws and regulations in relation to intellectual property rights;

BUSINESS

- require our employees to undertake confidentiality and non-compete obligations by contract. Under such contract, each of the employees are bound to keep our technologies and commercial secrets confidential and forbidden from competing with us both during and after his or her term of employment. Also it is provided in the contract that the intellectual properties and other commercial secrets generated in the process of an employee's job duties or based on our material and technical conditions or business information shall belong to us; and
 - incorporate terms in framework agreements with customers and sales invoices requiring our customers to, among others, (i) warrant that it is the registered owner/authorised licensee of the registered owner of the trademarks and (ii) license us for the production of mobile handsets bearing the relevant trademarks for them, (iii) hold us harmless from and against any and all third party claims and any associated costs, including legal costs, arising from the use of the products sold by our customer.
- to consult local legal advisers in the relevant jurisdictions for setting up any office or make investment in the relevant jurisdiction.

PROPERTIES

Leased properties

We do not have self-owned properties. We lease offices from Tianyu, a company controlled by our Controlling Shareholders, for our business operations. We entered into a lease agreement with Tianyu dated 22 July 2014 which takes effect on the Listing Date on normal commercial terms, the summary information for the lease is set out below:

Address of leased properties occupied by us	Area (m²)	Leased Term	Monthly Rent	Purpose of occupation by us
4th Floor, No. 55, Jiachuang Second Road Zhongguancun Science Park, OPTO-Merchatronics Industrial Park, Tongzhou District, Beijing, China	1,000	Three years from the date of Listing	RMB68,200	Office

For further details of the lease, please refer to the section headed “Connected Transactions” of this prospectus.

BUSINESS

INSURANCE

Considering the nature of export business and for managing the risk of breach of contract (e.g. breach of letter of credit) by our customers, we maintain export credit insurance with China Export & Credit Insurance Corporation (“CECIC”). The insured credit term is usually one year, covering the risk arising from bankruptcy, insolvency and delay of payment with an insured amount of 90% of the damage caused, the risk of refusal of acceptance of the goods by the buyer with an insured amount of 90% of the damage caused, political risk with an insured amount of 90% of the damage caused and risk arising from letter of credit with an insured amount of 90% of the damage caused. The general overall insured amount is USD 100 million with an upper limit of insurance compensation of USD 20 million. The insured amount of each customer is subject to approval by CECIC and varies. During the Track Record Period, the insurance premium of export credit insurance paid amounted to approximate RMB94,000, RMB69,000, and RMB800,000.

We also acquire insurance policies covering losses incurred during the delivery up to a place where we need to bear the relevant risks according to the terms agreed with our customers.

During the Track Record Period, the total insurance premiums we have paid amounted to RMB0.31 million, RMB0.87 million and RMB1.0 million for each of the three years ended 31 December 2014. We did claim for any insurance compensation during the Track Record Period.

The Directors believe that the insurance coverage is adequate and in line with the industry norm and there is no material risk that has not been covered by our insurance policies.

CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions with parties who are connected persons, and these transactions will continue following Listing, thereby constituting continuing connected transactions of our Group under the Listing Rules.

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Lease of PRC Premises

Pursuant to a lease agreement made between Tianyu as lessor and Benywave Wireless as lessee (the “Lease Agreement”) dated 22 July 2014, Tianyu has let the PRC Premises to Benywave Wireless for carrying on its business (the “Lease”). The term of the Lease Agreement commences on the date of Listing for three years. Any renewal of the Lease Agreement shall have to be negotiated between the parties. Under the Lease Agreement, it is provided that the area of PRC Premises is approximately 1,000 square metres. The monthly rental is RMB68,200 which shall apply throughout the said term of three years. In addition to the rental, unless otherwise agreed, Benywave Wireless shall pay all the utility charges, management fees and other charges relating to its operations.

The annual rent under the Lease Agreement was determined with reference to (a) the prevailing market rate and on an arm’s length basis between Benywave Wireless and Tianyu; and (b) the aggregate annual rents payable under the lease agreement made between Tianyu as lessor and Benywave Technology as lessee for the term from 1 January 2014 to 31 December 2014 which covers the PRC Premises. Our property valuer, DTZ Debenham Tie Leung Limited, an Independent Third Party which is a wholly foreign-owned real estate service provider awarded with Grade A National Real Estate Valuation Licence in the Mainland China, considers the rent payable under the Lease was fair and reasonable based on the prevailing market rate.

The PRC Premises is used entirely by Benywave Wireless as its office. Our Directors are of the view that the Lease Agreement has been entered into and will be carried out in the ordinary and usual course of business of our Group on normal commercial terms. As such our Directors (including independent non-executive Directors) consider that the terms of the Lease Agreement are fair and reasonable and the entering into the Lease Agreement by Benywave Wireless is in the interests of our Company and our Shareholders as a whole.

Tianyu is owned as to 90% by Ms. Rong who is the chairperson and executive director of our Company and as to 10% by Mr. Ni, the spouse of Ms. Rong, each of whom being a connected person of our Company. Pursuant to the Listing Rules, Tianyu is an associate of Ms. Rong and hence a connected person of our Company.

As the annual rent under the Lease Agreement payable by Benywave Wireless to Tianyu for each of the 3 years of the term is RMB818,400, and the applicable percentage ratios under Rule 14.07 of the Listing Rules on an annual basis is less than 5% and the annual consideration is less than HK\$3.0 million, the above transaction falls below the de minimis threshold under Rule 14A.76(1)(c) of the Listing Rules and is exempt from any reporting, announcement or independent shareholders’ approval requirements under Rule 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Equipment Lease Agreement

Pursuant to an equipment lease agreement made between Benywave Technology as lessor and Benywave Wireless as lessee (the “Equipment Lease Agreement”) dated 20 August 2014, Benywave Technology has let certain equipment and facilities (the “Equipment”) to Benywave Wireless for handset testing purpose. The term of the Equipment Lease Agreement commences on 22 July 2014 and expires on 21 July 2017 and both parties may terminate the same with one month prior written notice. Any renewal of the Equipment Lease Agreement shall have to be negotiated between the parties. Under the Equipment Lease Agreement, it is provided that the rental fee for the Equipment is approximately RMB6,453 per month.

The rental fee under the Equipment Lease Agreement was determined with reference to (a) the value of the Equipment; and (b) the frequency of use of the Equipment by Benywave Wireless and Benywave Technology.

Before the Split, the Equipment is used for testing mobile handset for research and development purpose by Benywave Technology for both its PRC Business and Overseas Business. After the Split, Benywave Wireless is planning to acquire its own R&D equipments within one year upon Listing. Between the short term period from now upto the availability of the new equipments, Benywave Wireless temporarily leased the Equipment from Benywave Technology. Our Directors are of the view that the Equipment Lease Agreement has been entered into and will be carried out in the ordinary and usual course of business of our Group on normal commercial terms. As such our Directors (including independent non-executive Directors) consider that the terms of the Equipment Lease Agreement are fair and reasonable and the entering into the Equipment Lease Agreement by Benywave Wireless is in the interests of our Company and our Shareholders as a whole.

Benywave Technology is a wholly-owned subsidiary of Vital Profit, which is owned as to 93% by Winmate, the Controlling Shareholder of our Company and a connected person of our Company. Hence, Benywave Technology is a 30%-controlled company held indirectly by Winmate. Pursuant to the Listing Rules, Benywave Technology is an associate of Winmate and hence a connected person of our Company.

As the total rental fee under the Equipment Lease Agreement payable by Benywave Wireless to Benywave Wireless for the 3 years of the term is approximately RMB232,294, and the applicable percentage ratios under Rule 14.07 of the Listing Rules on an annual basis is less than 5% and the annual consideration is less than HK\$3.0 million, the above transaction falls below the de minimis threshold under Rule 14A.76(1)(c) of the Listing Rules and is exempt from any reporting, announcement or independent shareholders’ approval requirements under Rule 14A of the Listing Rules.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OVERVIEW

Upon the Listing, each of Ms. Rong, Mr. Ni, Winmate and Rong Personal Trust Nominee will be a Controlling Shareholder pursuant to the Listing Rules. The following table sets forth information regarding the ownership of the Shares immediately following the completion of the Capitalisation Issue and Global Offering (without taking into account the Shares that may be issued and allotted pursuant to the exercise of the Over-allotment Option):

	Number of Shares owned	Approximate percentage of voting rights
Wimate ⁽¹⁾	480,624,000	56.54%
Favor Gain ⁽²⁾	36,720,000	4.32%
RSU Scheme Nominee ⁽²⁾	32,300,000	3.8%
Rong Personal Trust Nominee ⁽³⁾	87,856,000	10.34%
Public	212,500,000	25%
	850,000,000	100%

Notes:

- (1) Winmate is owned as to 90% by Ms. Rong and as to 10% by Mr. Ni.
- (2) Each of Favor Gain and RSU Scheme Nominee is an Independent Third Party.
- (3) Rong Personal Trust Nominee is wholly-owned by Core Trust in its capacity as trustee of Rong Personal Trust with Ms. Rong as settlor of the trust. Core Trust in its capacity as trustee of a discretionary trust with Ms. Rong as settlor of the trust, Ms. Rong and Mr. Ni are all deemed to be interested in the Shares held by Rong Personal Trust Nominee under the SFO. Ms. Rong is deemed to be so interested by virtue of her being the founder of Rong Personal Trust. Mr. Ni is deemed to be so interested by virtue of him being the spouse of Ms. Rong.

For details, please refer to the section headed “Substantial Shareholders” of this prospectus.

OUR CONTROLLING SHAREHOLDERS

Ms. Rong is the chairperson of our Company and an executive Director. Mr. Ni is the husband of Ms Rong. Through their 100% interest in Winmate, Ms. Rong and Mr. Ni will together control approximately 56.54% of our entire issued share capital upon the completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares that may be issued and allotted pursuant to the exercise of the Over-allotment Option).

Ms. Rong has set up a revocable discretionary trust, Rong Personal Trust, on 31 March 2015. Core Trust, as trustee of Rong Personal Trust, holds the entire issued share capital of Rong Personal Trust Nominee. Rong Personal Trust Nominee, in turn, holds 87,856,000 Shares, representing 10.34% of the entire issued share capital of our Company upon Capitalisation Issue and the Global Offering (without taking into account the Shares that may be issued and allotted pursuant to the exercise of the Over-allotment Option).

Core Trust, in its capacity as trustee of Rong Personal Trust, has certain discretion in the administration and investment of Rong Personal Trust. Ms. Rong is the settlor and the protector of Rong Personal Trust, an investment adviser of Rong Personal Trust Nominee and has the power to remove the trustee thereof. The beneficiaries of Rong Personal Trust are Ms. Rong herself, Rong Family Members and other designated persons. For the avoidance of doubt, Core Trust is not a Controlling Shareholder, but is a Connected Person under the Listing Rules.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Controlling Shareholders collectively were interested in 568,480,000 Shares, representing approximately 66.88% of the entire issued share capital of our Company as at the Latest Practicable Date.

Apart from our Group, the Founders (Ms. Rong and Mr. Ni) and Winmate (through the Excluded Group) and the Excluded Group currently have interests in mobile handset businesses. Whilst the Excluded Group and our Group are in the same industry, we are of the view that there is a proper delineation of the business of our Group which carries on Overseas Business and that of the Excluded Group which carries on PRC Business, as detailed in the paragraph headed “Delineation of Business” below.

In addition, the Founders, Winmate, Tianyu and Benywave Technology have entered into a deed of non-competition and undertaking to ensure that there will be no potential competition. For details of the deed of non-competition and undertaking, please refer to the paragraph headed “Deed of non-competition and undertaking” below.

The delineation is also reflected from the fact that since 2010, Benywave Technology has carried on the Overseas Business separately from the PRC Business except for certain overlapping transactions, and the Overseas Business was subsequently transferred to our Group in August 2014 upon the completion of the Split and the acquisition of 100% interest in Benywave Wireless by Vital HK from Vital Profit. Please refer to the subsection headed “History, development and reorganisation — Reorganisation” in this prospectus for further details.

The Excluded Business

The Excluded Group includes Tianyu Group and Benywave Technology Group.

Tianyu Group used to engage in research and development and manufacturing of mobile handsets. Following the investment by Favor Gain and in accordance with the ordinary share subscription agreement dated 18 June 2008, Tianyu transferred all its business to Benywave Technology. Vital Profit, Winmate and the Founders have covenanted to Favor Gain that, among other things, Tianyu Group shall carry out no business or transaction or activity which competes with or relates to Benywave Technology. Furthermore, they have also covenanted with Favor Gain that on or prior to 31 December 2008, amongst other things, (i) the business of Vital Profit, Benywave Technology and Tianyu (including but not limited to development, design, distribution and sale of mobile telecommunications equipment and consumer electronics, software development in respect of such equipment and consumer electronics) shall be carried out by Benywave Technology, (ii) all employment, purchase orders, contracts, receivables, payables, inventory, technology and assets of Tianyu shall be transferred to Benywave Technology; and (iii) all proprietary assets of Tianyu and its subsidiaries (including trademarks) shall be licensed exclusively to Benywave Technology.

Following the completion of the investment by Favor Gain, all the mobile communication device business of Tianyu was shifted to Benywave Technology, and Benywave Technology has been licensed to use the trademarks “天語” and “K-Touch” free of charge. As at the Latest Practicable Date, Tianyu Group was not engaged in any business which might compete with Benywave Technology or our Group. Hence, it is not included in the Group for the Listing.

Prior to the Split, Benywave Technology was engaged in both the PRC Business (which has been primarily engaged in developing, designing, production management and selling of mobile telecommunications devices and its related components and accessories, under its self-owned brands, targeting the PRC market) and the Overseas Business (which has been primarily engaged in developing, designing, production management and selling mobile telecommunication devices on ODM basis and its related components and accessories, targeting overseas markets). Since 2010, our management considered that the PRC Business and Overseas Business were different in, among others, business model, target customers,

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

pricing and settlement, and have started to delineate and separate their operations and management. For further details of how the businesses are delineated, please refer to the subsection headed “Delineation of Business” in this prospectus below.

Benywave Technology has incurred losses of RMB652.7 million and RMB521.3 million respectively for the years ended 31 December 2012 and 2013, attributable to the financial performance of the PRC Business conducted under a business model differs from our Group; and recorded profit of RMB207.3 million for the year ended 31 December 2014 (excluding the financial results of Benywave Wireless after the Split). Below is certain financial information of Benywave Technology for the three years ended 31 December 2014:

Operating results	Revenue		
	For the year ended		
	31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue of the PRC Business and Overseas Business	4,340,941 ⁽ⁱ⁾	6,186,245 ⁽ⁱ⁾	5,669,211 ⁽ⁱ⁾
Revenue of the Group (Overseas Business)	663,579 ⁽ⁱⁱ⁾	1,368,897 ⁽ⁱⁱ⁾	1,916,183 ⁽ⁱⁱ⁾
Revenue of the PRC Business	3,677,362 ⁽ⁱⁱⁱ⁾	4,817,348 ⁽ⁱⁱⁱ⁾	3,753,028 ⁽ⁱⁱⁱ⁾
	Gross Profit		
	For the year ended		
	31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Gross profit (loss) of the PRC Business and the Overseas Business	(12,144) ⁽ⁱ⁾	87,474 ⁽ⁱ⁾	685,460 ⁽ⁱ⁾
Gross profit of the Group (Overseas Business)	79,499 ⁽ⁱⁱ⁾	148,221 ⁽ⁱⁱ⁾	260,234 ⁽ⁱⁱ⁾
Gross profit (loss) of the PRC Business	(91,643) ⁽ⁱⁱⁱ⁾	(60,747) ⁽ⁱⁱⁱ⁾	425,226 ⁽ⁱⁱⁱ⁾

Notes:

- (i) Based on audit reports prepared based on PRC GAAP for Benywave Technology for each of the three years ended 31 December 2014 and Benywave Wireless for the year ended 31 December 2014.
- (ii) Based on the Group’s Accountants’ Report set out in Appendix I to this prospectus.
- (iii) Based on the net amount of Note (i) and Note (ii) above.

Considering the differences in, among others, business model, target customers, pricing and settlement between the PRC Business and the Overseas Business, in July 2014, Benywave Technology was split into two legal entities with the already existing Benywave Technology assuming the PRC Business whereas the newly established entity under the Split, namely Benywave Wireless, assuming the Overseas Business and being the principal subsidiary of the Group for the Listing. Benywave Technology Group (after the Split) was hence not included in the Group for the Listing.

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Delineation of Business

The Excluded Group focuses on the business of developing, designing and selling of mobile telecommunication equipment and consumer electronics under the self-owned brands of the Excluded Group, targeting the PRC market. Our Group focuses on the business of developing, designing and selling mobile telecommunication devices on ODM basis, targeting overseas markets. In respect of the history and development of the Excluded Group and the formation of our Group out of the Excluded Group, please refer to the section headed “History, development and reorganisation” of this prospectus.

Different business focus, target market and target customers

To the best information and knowledge of our Directors, the Overseas Business and the PRC Business serve different customer base under different business model due to difference in market dynamics.

The Excluded Group is primarily engaged in the sale of mobile handsets in China with self-owned brands directly or indirectly to the three state-owned telecom operators in China. This involves marketing and distribution channels and after-sales services throughout China.

In contrast to the PRC Business, our Group focuses on the mobile handset markets excluding the PRC, has a more diverse customer base including the branded mobile phone suppliers, regional mobile operators and trading companies. The Directors believe that the diversity of our customer base gives us greater flexibility in product design in both hardware and software which differentiates us from our competitors, and our business thrives on with end-user demand driven market. We are confident that we can replicate our success in new markets as well.

Furthermore, as our Group is supplying mobile handsets on ODM basis, our Group does not have to bear the cost of marketing, distribution and the overheads of retail outlets. Our customers provide the after-sales services to end-users and we only provide technical advice and support to them relating to such services.

Comparison of the products provided by the PRC Business and Overseas Business

Products and technology

In January 2009, the PRC government has granted a TD-SCDMA 3G license to one of the main telecommunication operators in the PRC, a 3G telecommunication standard developed in China with an attempt to avoid over-reliance on western technology. Foreseeing a demand of future mobile handsets adopting unique telecommunication standard in the PRC market and considering the majority of sales made to the relevant telecommunication operator by the PRC Business in 2009 as a proportion to its total sales volume, Benywave Technology devoted substantial R&D resources to the PRC market, and designated a separate group of R&D personnel to develop products for the overseas market in response to the significant difference in product standards and specifications and since then continued with such practice. The differentiation in the key telecommunication standards by the overseas market and the PRC market (i.e. TD-SCDMA versus GSM and WCDMA) resulted in the clear separation of R&D team for each of the Overseas Business and the PRC Business together with each of the markets and specification such as language, preferred outlook style of the mobile handset and detailed functions. Furthermore, due to the non-availability of operating systems with standardised applications for the PRC Business (such as Android with standardised Google Play applications and Windows with Windows Phone standardised applications in the PRC), the PRC Business has to employ substantially more resources in software development of applications than Overseas Business, where operation systems with standardised applications are readily available. Please also refer to the subsection headed “Relationship with Controlling Shareholders — Summary table of major differences between the Overseas Business and the PRC Business” in this prospectus for further information.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Components

As both the PRC Business and the Overseas Business provide smartphones, the types of components (such as mobile chips, OGS touch panel and camera modules, etc.) needed by the two businesses are similar. However, given there are various differences in the product specifications for the Overseas Business and the PRC Business, including among others, the prevailing telecommunication standard and frequency from time to time, the specifications for these major components at a particular time for the Overseas Business and the PRC Business vary. For example, the mobile chips for telecommunications standards TD-SCDMA and TD-LTD are not applicable for the Overseas Business.

There are ancillary and low cost components such as electric resistance and capacitors which are generally applicable for the mobile handsets for the two businesses.

Designs

Designs for mobile handsets generally include hardware design, software and mechanical designs. Hardware and software designs form the core designs originated from the respective R&D teams of the Overseas Business and the PRC Business. Given the products for the Overseas Business and the PRC Business vary from telecommunication standards (affecting the use of different mobile chips) to software platforms as well as particular features and specifications specified by different customers, the hardware and software designs for the two businesses originated from its R&D vary.

Designs also include industrial designs such as outlook designs of the mobile handsets. These designs vary not only from the Overseas Business to the PRC Business, but also from customer to customer. There could be sharing of basic outlook designs between the two businesses before the Split as these sharing were not prohibited before the Split.

Sales outlook

To the best information and knowledge of our Directors, the sales outlook of the mobile phones provided by the PRC Business is mainly driven by governmental policies. The sales outlook of the mobile phones provided by the Overseas Business is mainly driven by market dynamics.

Different business model, pricing policy and settlement arrangements

In 2010, the management has decided to delineate and separate their operations and management, as the business models for the PRC Business and Overseas Business have become substantially different, not only in its target customers and geographical market. Please also refer to the subsection headed “Relationship with Controlling Shareholders — Summary table of major differences between the Overseas Business and the PRC Business” in this prospectus for further information.

R&D

The Overseas Business has designated its own R&D team devoted for overseas product development since 2010, starting with over 30 staff and gradually increased to 65 staff during the Pre-split Period, which mainly include personnel for hardware and software development, mechanical design and software testing. Since 2009 and prior to the Split, the R&D team for Benywave Technology used to consist of four main teams, three for PRC Business and one for Overseas Business, supported by R&D supporting teams, serving functions including software application design, mechanical design testing, software and hardware testing and product branding designs.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

While most of the PRC smartphones adopt the Android platform in recent years, the PRC market requires significant in-house software development as Google Play Market which provides ready-to-use essential software and applications for Android users is banned in the PRC market since the exit of Google from the PRC in 2010. Significant software development resources need to be devoted to the PRC Business for creating these essential software as well as producing the required software by the PRC telecommunication operators. While for the Overseas Business, we can simply download these software for installation from Google Play Market and it does not require significant R&D resources for software development and testing. For 2G products, although the telecommunication standards are the same, the software and the motherboard designs and components used for the PRC Business and the Overseas Business were different.

The respective main teams of the PRC Business and the Overseas Business have similar level of knowhow and expertise who had been working independently to serve their respective customers and markets.

The R&D supporting teams were shared by PRC Business and Overseas Business. However, with over 85% of the supporting personnel responsible for software application design, testing and other functions only serving the PRC Business, the supporting teams were mostly dedicated to the PRC Business since the software application design and testing functions are generally not material to the Overseas Business. For the Overseas Business, customers generally only required installation of common operating systems such as Android or Windows, with readily available software applications provided by customers, which required less software development and compatibility testing. The Overseas Business mainly engaged third party testing labs on product testing and certifications (arranged by its customers) as it is required by most of the countries it exports to.

The R&D supporting teams need to conduct frequent software compatibility testing for PRC Business and large amount of sample phones have to be sent to various labs and government testing centers for verification and filing purpose for passing the national standards, 3C standards, standards set by different telecommunication operators as well as sub-standards set by them in each province of the PRC. Numerous in-house pre-testing for meeting these standards are also needed. Correspondingly, not only resources for PRC Business were significantly higher than the Overseas Business, but the R&D process is also different, in particular the materiality of the supporting teams.

Although the R&D teams for the Overseas Business and the PRC Business have been segregated, sharing of outlook designs and potential inter-personnel communication on technology and intellectual information by means of conversation between employees were not restricted between the Overseas Business and the PRC Business. While such information is intangible and mostly readily available in public sources such as the internet, the management considered it would be more prudent to share the cost of certain R&D supporting teams mainly dedicated to the PRC Business in case certain information has been verbally shared by certain employees and caused potential benefits in the R&D process of the Overseas Business. Therefore for the supporting teams units which served both Overseas Business and PRC Business such as the testing teams, and the units which have produced R&D results that are possible for intellectual sharing, their costs have been allocated based on the budgeted revenue of Overseas Business and PRC Business proportionally.

Different personnel in charge of procurement

The management considered the preparation of sourcing schedule was a material part of the operations to ensure the shortest lead time for the production process. As the orders from the customers of the Overseas Business and the PRC Business are substantially different in order quantity per order, i.e. the orders for the Overseas Business come in small batches while those for the PRC Business come in larger quantities. The entire supply chain management for the Overseas Business and the PRC Business have been different. The management has designated separate procurement personnel for the Overseas Business and the PRC Business to prepare the sourcing schedule according to the customers' orders and suppliers' quotations since 2009.

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Given that the placing of purchase orders is only an administrative function, purchase orders for the Overseas Business and the PRC Business have been placed by the same personnel under Benywave Technology. However, the Overseas Business has kept independent record of its purchases and purchasing prices of raw materials in the financial system. Our Group has already entered into separate purchasing agreements with its suppliers after the completion of the Split.

Engaging similar EMS providers but designated different personnel for outsourcing management

Due to the fact that both the Overseas Business and the PRC Business outsource its processing and assembly process and there are very limited high quality top tier EMS providers in the PRC which are also used by various domestic or global leading vendors of mobile telecommunication devices, both the PRC Business and the Overseas Business engaged the same or similar EMS providers to ensure product quality in-line with industry leading standard. Notwithstanding the above, during the Pre-split Period, each of the PRC Business and the Overseas Business designated separate personnel to prepare the production schedules, communicate with the relevant EMS providers directly and separately for meeting their respective customers' needs, as well as stationed different personnel on site to conduct production management including providing technical supports, quality checks and overseeing the process.

We provide detailed specifications of products which enables the EMS providers to have a clear understanding of the difference of the products for the overseas market or PRC market. The inventory for the PRC Business and the Overseas Business were real-time monitored by Benywave Technology and the EMS providers in their respective control systems. Benywave Technology kept independent records of the subcontracting costs for each unit of its products on its financial system. Hence, the subcontracting costs for the two businesses were independently and separately recorded since their products were different. The EMS providers are all independent third parties and separate contracts have been entered into by the PRC Business and Overseas Business with the EMS providers independently after the completion of the Split.

Separation of human resources, administrative functions and internal control

In respect of human resources, employees serving the Overseas Business were clearly distinguished from those serving the PRC Business in the human resources system of Benywave Technology. The management of the PRC Business and the Overseas Business were separately responsible for the recruitment, appraisal and departure of employees serving the PRC Business and the Overseas Business. The qualifications required for the employees serving the PRC Business and the Overseas Business were also different. Employees serving the Overseas Business shall either have prior work experience overseas or have studied abroad, and shall be proficient in English in order to communicate with the overseas customers, whereas no such requirements were expected from an employee serving the PRC Business.

Departmental administrative function needs have been fulfilled by the staff of the respective R&D, sub-contracting, procurement and sales teams for each of the Overseas Business and the PRC Business separately. General office administrative function were shared between the two businesses.

In respect of internal control, the senior management of each of the PRC Business and the Overseas Business was separately responsible for monitoring the risks associated with its own business through a top down approach from budgeting to the performance of each employee of the Overseas Business and PRC Business respectively, covering each of the areas of business process, financial system, legal and compliance and employees' conduct and appraisals.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

In light of the differences in the business models of the Overseas Business and the PRC Business engaged by Benywave Technology, the management has to and has been able to effectively control and monitor the performances of the PRC Business and Overseas Business separately for decision making purposes, as well as presenting the financial performance information to Favor Gain. Benywave Technology has started to maintain separate financial records for the PRC Business and Overseas Business and adopted stringent practices to calculate the cost and performance of each staff individually, and has recorded revenue and expenses separately for the PRC Business and the Overseas Business in detailed labels. The stringent management system adopted by Benywave Technology has contributed to its legal compliance during the Pre-split Period. This also facilitated the management to maintain a reliable record of the financial performances of the Overseas Business and facilitated the Reporting Accountant to obtain necessary supporting documents in the course of the conducting the audit of our Group.

Treasury and cash disbursements

Given that the Overseas Business and the PRC Business were carried on under the same entity namely Benywave Technology prior to the Split, the same bank accounts were used for both of the Overseas Business and the PRC Business because the treasury and cash disbursement functions were administrated by this single entity and accordingly, the net cash flows generated from the Overseas Business were kept in the same bank accounts. Although the two businesses shared the same bank account, the management has recorded the direct and indirectly allocated incomes and expenses clearly delineated and independently in the financial system's Overseas Business sub-ledgers for clear record and assessment of the performances of the Group. As soon as Benywave Wireless was established, it has set up bank account for the Overseas Business to use for its operations and bank balances would present in the Group's balance sheet since August 2014.

Banking facilities

For the Overseas Business before the Split, on the one hand, deposits were generally required when customers place their orders and letter of credits are provided before the products are delivered whereas on the other hand we are granted with the credit terms for sourcing of raw materials. For the PRC Business, Benywave Technology needs to grant credit terms to customers and generally no deposit is required. Also, customers for the Overseas Business tend to place small orders whereas customers for the PRC Business tend to place large orders. Benywave Technology recorded RMB100 million, RMB125 million and RMB264.5 million bank borrowings as at 31 December 2012, 2013 and 2014 respectively which were purposely obtained and utilised for the PRC Business only.

Different core management teams

Since 2010 and during the Pre-split Period, the Overseas Business and the PRC Business have been managed under substantially different directors and management. The PRC Business and the Overseas Business only shared one executive Director for its operations, being the Chairperson Ms. Rong who was responsible for overseeing strategic direction only and not day-to-day operations. Therefore apart from this one executive director, all the other executive Director and senior management are independent and delineated from the PRC Business. During the Pre-split Period, the other members of the senior management of the Overseas Business are different from the PRC Business.

Mr. Rong Shengli has been responsible for general management and business development of the Overseas Business during the Pre-split Period till now. Mr. Shen Guiping, our vice president in charge of sales, has been responsible for the sales and marketing of the overseas market development during the Pre-split Period till now. Mr. Pei Hongan, our vice president in charge of R&D, has been responsible for overseeing R&D for the Overseas Business during the Pre-split Period till now. Mr. Rong Shengli, Mr. Shen Guiping and Mr. Pei Hongan have been and are currently involved in the daily operations of the Overseas Business and have not been involved in the PRC Business during the Pre-split Period up to Latest Practicable Date.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Mr. Tang Shun Lam, our non-executive Director is not a member of the core management team of the Group, as he is only a representative board member from Favor Gain to oversee its investment and has not been involved in day-to-day management of either the PRC Business or the Overseas Business. Mr. Tang Shun Lam joined the Group as a non-executive Director in March 2015 replacing the previous representative board member from Favor Gain who was also a non-executive Director and was not a member of the core management team of the Group without involvement in day-to-day management of either the PRC Business or the Overseas Business. Hence such role of Mr. Tang Shun Lam or his predecessor would not cause overlapping of core management team between the PRC Business and Overseas Business during the Track Record Period and after the Split. After the Listing, Mr. Tang would act as a non-executive Director not overseeing interests for any Shareholder but for all Shareholders as a whole.

Summary table of major differences between the Overseas Business and the PRC Business

The following table sets forth a brief summary of the major difference between the Overseas Business and the PRC Business previously conducted separately by the Excluded Group before the Split and being conducted separately by our Group and the Excluded Group respectively after the Split.

	Excluded Group	Our Group
Business focus	<ul style="list-style-type: none"> — To market self-branded mobile devices products through two sales channels of PRC telecommunication operators, wholesalers and K-Touch Life House Stores 	<ul style="list-style-type: none"> — To offer mobile devices on ODM basis to customers in overseas markets under the customer’s own or authorized brand name.
Target market	<ul style="list-style-type: none"> — the PRC 	<ul style="list-style-type: none"> — Regions excluding the PRC (export out of PRC).
Target customers	<ul style="list-style-type: none"> — The key customers are primarily the three telecommunication operators. — Price and demand driven by governmental policies 	<ul style="list-style-type: none"> — The key customers are the branded mobile phone suppliers, regional telecommunication operators and trading companies in the respective countries. Please refer to the section headed “Business” of this prospectus for further details. — More diverse customers base. — Price and demand driven by market dynamics.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

	Excluded Group	Our Group
Contract formation	<ul style="list-style-type: none"> — The three operators have comprehensive and strict customization requirements including hardware, software and internal components. Suppliers have to undergo strict selection process. 	<ul style="list-style-type: none"> — Our Group approaches our target customers with our product roadmaps. Alternatively, customers may come to us by referrals. — Both parties shall explore and confirm the specifications and external design and also the delivery dates and price of the product, and then the customer shall place orders.
Products and technology	<p style="text-align: center;"><i>Operating system and application packs</i></p> <ul style="list-style-type: none"> — Android with tailor-designed application packs for each telecommunication operator in the PRC — Windows with tailor-designed application packs for each telecommunication operator in the PRC <p style="text-align: center;"><i>Telecommunication standards</i></p> <ul style="list-style-type: none"> — GSM (2G) — TD-SCDMA (unique for PRC market) (3G) — W-CDMA (3G) — CDMA 2000 (3G) — TD-LTE (unique for PRC market) (4G) — FDD-LTE (4G) — For the year ended 31 December 2013 and 2014, TD-SCDMA and TD-LTE both being unique for the PRC market accounted for approximately 80% and 90% of the total sales volume of the PRC Business. 	<p style="text-align: center;"><i>Operating system and application packs</i></p> <ul style="list-style-type: none"> — Android with standardised Google Play applications — Windows with standardised applications <p style="text-align: center;"><i>Telecommunication standards</i></p> <ul style="list-style-type: none"> — GSM (2G) — W-CDMA (3G) — CDMA 2000 (3G) — FDD-LTE (4G)

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

	Excluded Group	Our Group
Customisation	<ul style="list-style-type: none"> — Customers set very strict customisation requirements with little flexibility in proposing alternative designs and solutions 	<ul style="list-style-type: none"> — We can offer various proprietary competitive designs and solutions to our customers for their consideration.
Pricing and Settlement	<ul style="list-style-type: none"> — The average credit period provided by Excluded Group to the three operators are generally 30 days. Due to their dominant market positions, the Excluded Group may have to accommodate delay in payment or re-negotiation on price after production. 	<ul style="list-style-type: none"> — Customers pay us per pre-agreed prices and very rarely can re-negotiation on prices after the order is accepted by us. Our Group generally do not grant credit terms to our customers but normally require full payment or 60 days L/C to be provided before shipment of the products for the two years ended 31 December 2013. Our Group started to grant 60 days credit term to our customers in the year ended 31 December 2014 while purchases insurance policy to cover credit risk to increase our competitiveness for further market penetration. Please refer to the subsection headed “Business — Sales and Marketing — Credit control policy” in this prospectus.
Deposit taken	<ul style="list-style-type: none"> — Generally no deposit taken from telecommunication operators 	<ul style="list-style-type: none"> — Generally 5% to 20% to our customers.
Marketing	<ul style="list-style-type: none"> — Marketing of the brands “天語”, “K-Touch”, “Nibiru” or co-brands to indirectly promote the sales to the three operators — Marketing is mainly conducted by attending various conferences held by the three operators and providing product information at the website www.k-touch.cn 	<ul style="list-style-type: none"> — by attending international exhibitions and frequent client visits

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

	Excluded Group	Our Group
Product R&D	<ul style="list-style-type: none"> — PRC product R&D teams are divided into three dedicated sub-teams to develop products to suit each of the three operators and appeal to PRC customers 	<ul style="list-style-type: none"> — Overseas products R&D team can develop various types of products tailored for overseas markets of various continents and geographical regions to suit overseas customers' functional and aesthetic preference
After-sales service	<ul style="list-style-type: none"> — Responsible for providing after-sales maintenance through over 700 authorized maintenance points to end users 	<ul style="list-style-type: none"> — Customers are responsible for providing maintenance to the local end users — Our Group only provides after-sales technical advices and support to customers
<i>Core Management (marked with asterisks) and personnel</i>		
Strategic management	<ul style="list-style-type: none"> — Rong Xiuli* 	<ul style="list-style-type: none"> — Rong Xiuli*
General management	<ul style="list-style-type: none"> — Ni Gang* 	<ul style="list-style-type: none"> — Rong Shengli*
Business development, sales and marketing	<ul style="list-style-type: none"> — Liu Shanzhong* — 3 teams, and each led by Cai Baohua, Wang Peng, and Li Lu respectively for serving each of the major telecommunication operators in the PRC 	<ul style="list-style-type: none"> — Rong Shengli* — Shen Guiping* for serving overseas markets
R&D	<ul style="list-style-type: none"> — Tang Yanyu* (left in early 2014) — Team heads: Pei Yuanqing, Xue Chenyu, Tang Song, Wang Guojiang, Zhang Fengyi, Huang Tao, Wang Yuwen, Du Hongjie 	<ul style="list-style-type: none"> — Pei Hongan*

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

	Excluded Group	Our Group
Sourcing and out-sourcing	Li Qing	Shan Dan
<i>Financial</i>		
Customer ledger	— Accounts of customers are grouped under the sub-ledger of PRC customers	— Accounts of customers are grouped under the sub-ledger of Overseas customers
Sales	— Booked as “PRC Revenue”	— Booked as “Overseas Revenue”
Cost directly related to sales to the respective market ie PRC or Overseas	— Booked as various types of “PRC Revenue related cost”	— Booked as various types of “Overseas revenue related cost”
Cost indirectly related to the respective market i.e. PRC or Overseas	— Booked as various types of “Cost allocated to PRC Business”, such as utility costs, depreciation, lease expenses	— Booked as various types of “Cost allocated to Overseas Business”, such as utility costs, depreciation, lease expenses

No intention to inject PRC Business

As at the Latest Practicable Date, the Founders and Winmate had no intention to inject the PRC Business into our Group. If the Founders and Winmate decide to dispose of the PRC Business or any part thereof in the future, they will grant the right of first refusal to our Group. For details, please refer to the subsection headed “Deed of Non-competition and Undertaking” in this prospectus below.

Deed of non-competition and undertaking

The Founders, Winmate, Benywave Technology and Tianyu (collectively the “Covenantors”), have entered into a deed of non-competition and undertaking (the “Deed of Non-Competition”) with our Company (for itself and on behalf of its subsidiaries from time to time) to the effect that with effect from the Listing Date, each of them will not and procure that none of their respective associates and subsidiary (for a Covenantor which is a company) other than any member of the Group shall:

- (i) whether as principal or agent and whether undertaken directly or indirectly in his/its/their own account or in conjunction with or on behalf of or through any person, firm, body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, carry on, participate in, acquire, or hold (whether as a shareholder, partner, agent or otherwise) any right or interest or otherwise be interested, involved or engaged in or concerned with, directly or indirectly, any business which competes or may compete with the Overseas Business in any part of the world including but not limited to undertaking the manufacture of mobile telecommunication devices on ODM basis;
- (ii) sell or distribute or cause or allow the sale or distribution of the Excluded Group’s own-branded mobile telecommunication devices to any territory outside the PRC and, in connection therewith, the Covenantors shall procure that in all distribution agreements between any member of Excluded Group and its distributors a clause restricting the sale or distribution of such own-branded mobile telecommunication devices outside PRC shall be incorporated; and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (iii) alone or jointly with or on behalf of any person,
 - (a) induce or attempt to induce any director, employee or consultant of our Group to terminate his/her/its employment or consultancy (as appropriate) with our Group, whether or not such act of that person would constitute a breach of that person's contract of employment or consultancy with our Group (as appropriate);
 - (b) canvass or solicit or attempt to canvass or solicit any order for business which competes or may compete with the Overseas Business; and
 - (c) persuade any person who has dealt with our Group or who is in the process of negotiating with our Group in relation to the Overseas Business to cease to deal with our Group, or reduce the amount of business which that person would normally do with our Group or seek to improve their terms of trade with any member of our Group.

Each of the Covenantors further agrees, undertakes to and covenants with our Company (for itself and on behalf of its subsidiaries from time to time) that, with effect from the Listing Date, in the event that he and/or any of his associates or subsidiary (where applicable) (other than any members of the Group) is offered or becomes aware of any investment or commercial opportunity directly or indirectly relating to the Overseas Business in any part of the world including but not limited to supply of mobile telecommunications devices on ODM basis in the PRC ("**New Business Opportunity**"), he shall promptly notify our Company in writing and refer such New Business Opportunity to our Company for consideration and provide all information which he is aware in relation to such opportunity with a view to assisting our Company in making an informed assessment of such New Business Opportunity.

In respect of a New Business Opportunity relating to supply of mobile telecommunication devices on ODM basis to PRC telecom operators for sale within the PRC ("**PRC Operators ODM Opportunity**"), each of the Covenantors shall not, and shall procure that his associates (collectively, the "**Controlled Persons**") or any company directly or indirectly controlled by him (the "**Controlled Company**") shall not, invest or participate in such PRC Operators ODM Opportunity, unless such PRC Operators ODM Opportunity shall have been rejected by the Company and the principal terms on which the Covenantor or his Controlled Persons or Controlled Companies shall invest or participate in such PRC Operators ODM Opportunity are no more favourable than those made available to the Company.

Furthermore, a Covenantor may only engage in such PRC Operators ODM Opportunity if (a) a written notice is received by the Covenantor from the Company confirming that such PRC Operators ODM Opportunity is not accepted and/or does not constitute an Overseas Business (the "**Non-acceptance Notice**"); or (b) the Non-acceptance Notice is not received by the Covenantor within 10 days after the proposal of the such PRC Operators ODM Opportunity is received by the Company.

The independent non-executive Directors will be responsible for assessing the PRC Operators ODM Opportunity and making the decision as to whether or not to take up any particular PRC Operators ODM Opportunity. The independent non-executive Directors shall consider the financial impact of pursuing the PRC Operators ODM Opportunity offered, whether the nature of the PRC Operators ODM Opportunity is consistent with the Group's strategies and development plans, the general market conditions of the Overseas Business; if appropriate, the independent non-executive Directors may appoint independent financial and legal advisers to assist in the decision-making process in relation to such PRC Operators ODM Opportunity.

In respect of any New Business Opportunity other than PRC Operators ODM Opportunity, each of the Covenantors shall not, and shall procure that Controlled Persons and Controlled Company not to, invest or participate in such New Business Opportunity irrespective of whether such New Business Opportunity shall be taken up by the Company.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The Deed of Non-Competition also provides that each of the Covenantors (i) shall absent himself and (where applicable) procure his associate to absent from attending and voting at, and shall not count towards the quorum for, any meeting or part of a meeting at which matters in which he or his associates have a material interest are discussed (including the right of first refusal hereinafter mentioned), unless otherwise expressly requested to attend by the independent non-executive Directors; (ii) shall and (where applicable) procure his associates shall, during the period that the Founders and Winmate and their respective associates, individually or taken as a whole, remain as the Controlling Shareholders, abstain from voting at any general meeting of the Company if there is any actual or potential conflict of interest; and (iii) shall comply with all requisite disclosure requirements.

Under the Deed of Non-Competition, the Founders and Winmate grant to our Company a right of first refusal in the event the Founders and Winmate wish to sell the whole or any part of their interest in the Excluded Group or the PRC Business.

The Deed of Non-Competition also provides, amongst other things, that:

- (i) the independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-competition by the Covenantors;
- (ii) the Founders and Winmate shall provide all information necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-Competition;
- (iii) our Company shall disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the undertakings by the Covenantors either through the annual report of our Company, or by way of announcement to the public; and
- (iv) the terms of the Deed of Non-Competition cannot be amended or varied save with the prior approval of the Shareholders (other than the Founders and Winmate and their respective associates who are Shareholders) by an ordinary resolution at a general meeting of our Company.

The Deed of Non-Competition and the rights and obligation thereunder shall become effective on the Listing Date. The Deed of Non-Competition will cease to have effect on any of the Covenantors upon occurrence of the earliest of any of the following events or circumstances:

- (i) our Company decides not to proceed with the Listing despite that approval for the Listing has been granted by the Listing Committee;
- (ii) the day on which the Shares cease to be listed on the Stock Exchange;
- (iii) the day on which the Controlling Shareholders and their respective associates (individually or taken as a whole) cease to hold or be interested (directly or indirectly) in 30% or more of the then issued share capital of our Company or cease to be deemed as a Controlling Shareholder and do not have power to control the Board and there is at least one other Shareholder holding more Shares than the Controlling Shareholders and their associates then taken together; or
- (iv) the day on which the Controlling Shareholders beneficially own or are interested or are deemed to be interested in the entire issued share capital of our Company.

Rong Personal Trust Nominee, being one of the Controlling Shareholders, is not one of the Covenantors in the Deed of Non-Competition because it is not involved in the PRC Business or any other business which may compete with the business of the Group. As the nominee of Rong Personal Trust Trustee under Rong Personal Trust, its only role is to hold and dispose of the assets under Rong Personal Trust pursuant to the direction of Rong Personal Trust Trustee. Furthermore, Ms. Rong is the settlor and the protector of Rong

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Personal Trust, an investment adviser of Rong Personal Trust Nominee and has the power to remove the trustee thereof. The Directors consider that the non-competition undertaking imposed on the Covenantors (including Ms. Rong) under the Deed of Non-Competition (as described in sub-paragraph (i) of the first paragraph under the subsection headed “Deed of Non-competition and Undertaking” in this prospectus above) provides adequate restriction against Ms. Rong indirectly competing with the business of the Group through Rong Personal Trust Nominee.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are satisfied that our Group can function, operate and carry on business independently of our Controlling Shareholders based on the following reasons:

Independence of management and directorship

The following table presents the details of the Directors and senior management of our Group and their positions in the Excluded Group upon Listing:

	Position(s) held in our Group	Position(s) held in the Excluded Group
Ms. Rong	Chairperson and executive Director	Director of Benywave Technology, Vital Profit and Tianyu (<i>Note 1</i>)
Mr. Rong Shengli	Chief executive officer and executive Director	None
Mr. Tang Shun Lam	Non-executive Director	Director of Benywave Technology, Vital Profit and Tianyu (<i>Note 2</i>)
Mr. Hon Kwok Ping Lawrence	Independent non-executive Director	None
Mr. Lam Yiu Kin	Independent non-executive Director	None
Mr. Tsang Yat Kiang	Independent non-executive Director	None
Ms. Gou Lishan	Chief financial officer	None

Notes:

- (1) Only performs her duties by overseeing the strategic direction of the Excluded Group and provides no day to day management in the operations of the Excluded Group.
- (2) Mr. Tang Shun Lam was a representative board member from Favor Gain to oversee its investment and was not involved in day-to-day management of either the PRC Business or the Overseas Business before the Listing. After the Listing, Mr. Tang would act as a non-executive Director not overseeing interests for any Shareholder but for all Shareholders as whole. He is not a member of core management team of our Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

	Position(s) held in our Group	Position(s) held in the Excluded Group
Mr. Shen Guiping	Vice president — in charge of sales	None
Mr. Pei Hongan	Vice president — in charge of R&D	None

Save as disclosed above, none of our Directors or members of our senior management holds any position or has any roles or responsibility in the Excluded Group or with our Controlling Shareholders or any associates of our Controlling Shareholders.

Our Board of Directors is comprised of two executive Directors, one non-executive Director and three independent non-executive Directors. Our senior management consists of three members. Based on the following, our Directors believe that our Directors and members of our senior management are able to manage our business independently of the Excluded Group and other companies controlled by our Controlling Shareholders:

- (i) The majority of the members of our Board and senior management are independent from the Excluded Group and will serve the Group independently from its Controlling Shareholders. In particular, each of Mr. Rong Shengli, Mr. Shen Guiping and Mr. Pei Hongan have continuously been in charge of the management of the Overseas Business as a separate operation within Benywave Technology during the Pre-split Period and they will dedicate their full time and effort in supervising the operations and management of our business.
- (ii) Although Ms. Rong, the chairperson of our Group and our executive Director shall continue to have controlling interest in the Excluded Group, she will have no on-going day-to-day executive duties in the Excluded Group and will only oversee the strategic direction of the Excluded Group. As a result, Ms. Rong is able to devote adequate time and attention to manage our Company as chairperson of the Company and executive Director.
- (iii) With three independent non-executive Directors out of a total Board size of six, there will be a sufficiently robust and independent voice on the Board to counter-balance any situation of conflict of interest and protect the interests of our independent Shareholders.
- (iv) All members of our senior management are full-time employees of our Group and possess solid, sufficient and relevant experience in and understanding of the industry in which our Group is engaged.
- (v) Instances of actual or potential conflict of interest have been identified (please refer to the section headed “Connected Transactions” of this prospectus), and minimised (by virtue of the Deed of Non-Competition).
- (vi) Save for Ms. Rong, who has a controlling interest in the Excluded Group, and Mr. Tang Shun Lam, who is a director of Tianyu, Vital Profit and Benywave Technology appointed by Favor Gain to oversee the investment of WP, none of our Directors or members of our senior management will be interested or hold any office in the Excluded Group upon the Listing. Both Ms. Rong and Mr. Tang Shun Lam are subject to confidentiality and non-competition undertaking to our Group.
- (vii) Each of our Directors is aware of his fiduciary duties as a Director of our Company, which require, among other things, that he acts for the benefit and in the best interests of our Company and do not allow any conflict between his duties as a Director and his personal interest.

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- (viii) Connected transactions between our Company and the Excluded Group are subject to the rules and regulations under the Articles of Association and the Listing Rules including the announcement, reporting, review and independent Shareholders' approval requirements.
- (ix) A number of protective measures are in place to adequately deal with any potential conflicts of interest between our Company, Ms. Rong, Mr. Ni and Winmate, and to safeguard the interests of our independent Shareholders. Please refer to the subsection headed "Deed of Non-competition and Undertaking" in this section.

Operational independence

Our Company makes business decision independently. Our Company holds all relevant licenses necessary to carry out our business and has sufficient capital, equipment and employees to operate our business independently.

Our Directors are of the view that our Company will continue to be operationally independent of the Excluded Group on the basis that:

- (i) **Intellectual property rights** – trademarks and patents. Our Company is not reliant on the intellectual property rights owned by our Controlling Shareholders, the Excluded Group or their respective associates necessary for the operations of the Overseas Business. As our Group engages in the business of developing, designing and selling of mobile telecommunication devices on ODM basis, our Group does not rely on any of the trademarks owned by the Excluded Group. As the mobile handset market is characterized by rapid technological changes, evolving industry standards and changing customer needs, leading to designs and inventories relating to mobile handsets to become obsolete in a short span of time, and that product requirements and standards for PRC Business and Overseas Business differ substantially, our Group does not rely on any design or invention previously held by Excluded Group. Furthermore, our Group has its own R&D team which will be responsible for providing R&D exclusively to our Group since the Split.
- (ii) **Administrative function**. Our Company has its own administrative and corporate governance infrastructure (including our own accounting, legal and human resources departments) and we shall be able to carry out all essential administrative function without the support of the Excluded Group, including financial and accounting, human resources, information technology, legal and compliance and general administrative.
- (iii) **Outsourcing**. As at the Latest Practicable Date, our Company entered into separate service agreements with our EMS providers and established independent relationship with terms substantially similar to those entered into by Benywave Technology in terms of the duration of agreement, quality assurance, price determination (determined monthly by the actual delivery amount of products, deducting the cost caused by spillage and write-off of materials, if any, as mutually confirmed by both parties), credit terms, etc. For further details of the terms, please refer to the subsection headed "Business — Outsourcing and production management" in this prospectus. Although the Overseas Business and the PRC Business engaged common EMS providers during the Pre-split Period, and the PRC Business and our Group are likely to engage common EMS providers after the Split, as confirmed by our Directors, these EMS providers are commonly used by vendors of mobile telecommunication devices for providing EMS in the PRC, and they will deal with each of their customers independently on arm's-length basis. After the Split, Benywave Wireless have generally been able to outsource the sub-contracting process to the EMS providers at similar or no less favourable terms than those outsourced by Benywave Technology. We have also designated outsourcing and quality

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control personnel specifically for our Overseas Business to manage our outsourcing or to station at our EMS providers to ensure the product quality meets our standard.

- (iv) **Marketing.** Prior to the Split, the Overseas Business has its own sales and marketing team consisting of 31 staff led by Shen Guiping, which has always been responsible for serving overseas customers and marketing for Overseas Business. Upon the Split, all these staff has been transferred to Benywave Wireless and will confine to serve our customers from overseas markets.
- (v) **Property and equipments.** Except for the Lease and Equipment Lease Agreement as set out in the subsection headed “Connected Transactions – Exempted Continuing Connected Transactions” in this prospectus, all of the properties used as our principal place of business and office premises and equipment and facilities used for R&D are owned or leased from Independent Third Parties by our Company or our operating subsidiaries. Further, our Directors reasonably believe that our Company can acquire equipments to replace the Equipment under Equipment Lease Agreement within one year after Listing.
- (vi) **Internal control.** Our Group has established a set of internal control procedures to facilitate the effective operations of our business independently from the PRC Business.
- (vii) **Procurement of raw materials.** As at the Latest Practicable Date, our Company entered into separate sourcing agreements with our key suppliers with terms substantially similar to those entered into by Benywave Technology in terms of the duration of agreement, payment and credit term, warranty and assurance, quality assurance, etc. As the same for the arrangement before the Split, prices for raw materials after the Split are determined order by order. For further details of the terms, please refer to the subsection headed “Business — Raw materials and suppliers” in this prospectus. Although the Overseas Business and the PRC Business engaged common suppliers prior to the Split, and the Excluded Group and our Group are likely to engage common suppliers for PRC Business and Overseas Business respectively after the Split, as confirmed by our Directors, these suppliers are commonly engaged by mobile communication devices manufacturers and suppliers for supply, and they will deal with each of their customers independently on arms-length basis. In addition, prior to the Split, although the Overseas Business and PRC Business had separate teams to plan and request for sourcing of raw materials and generally negotiate the prices of the components order by order, but purchase orders were administratively placed by Benywave Technology centrally as a single entity. Given there are various differences in the product specifications for the Overseas Business and the PRC Business, including among others, the prevailing telecommunication standard and frequency from time to time, the specifications for major components such as mobile chips, OGS touch panel and camera module at a particular time for the Overseas Business and the PRC Business varies. The prices for these raw materials are negotiated by respective designated procurement personnel of the Overseas Business and the PRC Business order by order. For certain ancillary components such as electric resistance and capacitors which are commonly used by the Overseas Business and the PRC Business, given they are low costs components, the extent of economies of scale enjoyed by Benywave Technology before the Split and Benywave Wireless after the Split are similar, and Benywave Wireless have generally been able to purchase these components at similar or no less favourable terms than those purchased by Benywave Technology. The Group has established its own procurement team to handle procurement and sourcing independent of the PRC Business and Benywave Technology after the Split.

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- (viii) **Customers.** As set out in the subsection headed “Delineation of Business” in this section above, our target customers and the target customers of the PRC Business and the Excluded Group are entirely different. Our customers are predominantly top local branded mobile device suppliers and telecommunication operators in overseas markets, to whom we have independent access.
- (ix) **R&D.** The business model for PRC Business and Overseas Business had been fairly different. PRC Business mainly conducts own brand business under the brand name “K-Touch” in the PRC or “Nibiru” or co-brands with customers. Overseas Business conducts business on ODM basis, where we are primarily engaged in developing, designing, production management and sale of mobile handsets to overseas markets, where our products are sold by our customers under their own or authorised brand names. Prior to the Split, the R&D team for Benywave Technology used to consist of four main teams, three for PRC Business and one for Overseas Business, supported by R&D supporting teams, serving functions including software application design, mechanical design testing, software and hardware testing and product branding designs.

The R&D supporting teams were shared by PRC Business and Overseas Business but most of the resources were applied on PRC Business. This was mainly because demand from R&D support teams for PRC Business was higher than those of Overseas Business. For example, customers for Overseas Business generally only required the products to be installed with common operating systems such as Android and Windows (or pre-installed software provided by customers), whereas for PRC Business, more resources had to be expended on developing software applications developed for telecommunication operators such as game centre and software applications specifically for own brand mobile phones, where frequent testing for the software compatibility with the system was required. Correspondingly, resources for software testing for PRC Business was higher than Overseas Business.

Upon the Split, all the members of the R&D team of Overseas Business consisting of 26 staff were all transferred to Benywave Wireless who have capability to conduct R&D serving the needs of overseas customers. In order to further enhance and assure the manning demand for the R&D for Benywave Wireless, a total of additional 32 staff from the R&D supporting teams consisting of engineers for software application design, mechanical design testing, software and hardware testing and outlook designs were also transferred to Benywave Wireless. The directors are of the view that we hence have independent and sufficient R&D capability for the operations after the Split.

Certain continuing connected transactions between our Group and the Excluded Group are set out in the section headed “Connected Transactions” of this prospectus. Notwithstanding, these transactions between our Group and the Excluded Group are not material in value as far as our Group is concerned.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Financial independence

Our Directors are of the view that our Group will be financially independent of our Controlling Shareholders and any of their respective associates upon the Listing for the following reasons:

(i) Strong financial position

During the Track Record Period, we recorded revenue of approximately RMB663.6 million, RMB1,368.9 million and RMB1,916.2 million for each of the three years ended 31 December 2014 and net profit of approximately RMB35.8 million, RMB82.9 million and RMB156.2 million for the same periods for the Overseas Business. Our Directors believe that the prospects of the Overseas Business are promising and the Group will be able to maintain a strong financial position in the future.

(ii) Ability to raise fund on a stand-alone basis

Our Group believes that we are able to secure loans from banks and other financial institutions without any credit support or guarantees from our Controlling Shareholders, the Excluded Group or their respective associates. With regards to the fundamentals of our Group, our Company is confident that after the Listing, we will be able to obtain credit facilities from financial institutions on a stand-alone basis. As of 30 April 2015, we have obtained banking facilities with a bank for the amount of USD3 million. As such, our Group is satisfied of our capability on carrying on our business financially independently of our Controlling Shareholders and the Excluded Group.

As at the Latest Practicable Date, there was no financial assistance, security and/or guarantee provided by our Controlling Shareholders, the Excluded Group or their respective associates in favour of our Group, or vice versa.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, the following persons will have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	Nature of interest	Number of and class of securities ⁽¹⁾	Approximate percentage of interest in our Company immediately after the Global Offering
Winmate	Beneficial owner	480,624,000 (L)	56.54%
Ms. Rong ⁽²⁾	Interest in a controlled corporation	568,480,000 (L)	66.88%
	Founder of a discretionary trust		
Mr. Ni ⁽²⁾	Interest in a controlled corporation	568,480,000 (L)	66.88%
	Spouse of Ms. Rong		
Rong Personal Trust Nominee ⁽²⁾	Beneficial owner	87,856,000 (L)	10.34%
Core Trust ⁽³⁾	Trustee	120,156,000 (L)	14.14%

Notes:

- (1) The letter “L” denotes the person’s long position in such Shares.
- (2) Ms. Rong and Mr. Ni hold 90% and 10% of the entire issued share capital of Winmate respectively. Ms. Rong is the spouse of Mr. Ni, and therefore, Ms. Rong and Mr. Ni are deemed to be interested in the Shares held by Winmate. Further, Rong Personal Trust Nominee holds 87,856,000 Shares representing 10.34% of the entire issued share capital of our Company as nominee of Rong Personal Trust Trustee under Rong Personal Trust. Rong Personal Trust Nominee is wholly-owned by Rong Personal Trust Trustee in its capacity as trustee of Rong Personal Trust with Ms. Rong as settlor of the trust. Rong Personal Trust is a revocable discretionary trust with Ms. Rong as settlor of the trust, Ms. Rong and Mr. Ni are all deemed to be interested in the Shares held by Rong Personal Trust Nominee under the SFO. Ms. Rong is deemed to be so interested by virtue of her being the founder of Rong Personal Trust. Mr. Ni is deemed to be so interested by virtue of him being the spouse of Ms. Rong.
- (3) Core Trust is both RSU Scheme Trustee and Rong Personal Trust Trustee and wholly owns both RSU Scheme Nominee and Rong Personal Trust Nominee. Under the SFO, Core Trust is deemed to be interested in the 32,300,000 Shares and 87,856,000 Shares held by RSU Scheme Nominee and Rong Personal Trust Nominee respectively.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised), have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We and the Sole Global Coordinator entered into cornerstone placing agreements (the “**Cornerstone Placing Agreements**”, each a “**Cornerstone Placing Agreement**”) with three cornerstone investors (the “**Cornerstone Investors**”, each a “**Cornerstone Investor**”), pursuant to which the Cornerstone Investors who agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1000 Shares) at the Offer Price which may be purchased with an aggregate amount of approximately HK\$116.3 million (exclusive of brokerage fee, SFC transaction levy and Stock Exchange trading fee). Assuming an Offer Price of HK2.64 (being the mid-point of the Offer Price range set out in this prospectus), and subject to any adjustments, the total number of Offer Shares subscribed by the Cornerstone Investors would be 44,053,000, representing approximately 20.73% of the Offer Shares, and approximately 5.18% of the issued Shares immediately following the completion of the Global Offering and Capitalization Issue (assuming the Over-allotment Option is not exercised). The following table sets forth certain information regarding the anticipated holding of Offer Shares of the Cornerstone Investors.

Cornerstone Investor	Maximum investment amount (HK\$ million) ⁽¹⁾	Number of Offer Shares subscribed ⁽²⁾	Approximate percentage of total number of Offer Share initially offered under the Global Offering (%)	Approximate percentage of total issued Shares immediately following the completion of the Global Offering and Capitalization Issue (%)	
				(assuming that Over-allotment Option is not exercised)	(assuming the Over-allotment Option is exercised in full)
Hong Kong Truly Electronics Manufacturing Limited	38.8	14,684,000	6.91	1.73	1.67
Sun Xu Limited	38.8	14,684,000	6.91	1.73	1.67
Vast Right Investment Limited	38.8	14,684,000	6.91	1.73	1.67
Total	116.3	44,053,000	20.73	5.18	5.00

Notes:

- (1) The HK\$/US\$ exchange rate for the calculation of maximum investment amount under the Cornerstone Placing Agreements is HK\$7.7534:US\$1.00.
- (2) Rounded down to the nearest board lot of 1,000 Shares and assuming an Offer Price of HK\$2.64 (being the mid-point of the Offer Price range stated in this prospectus).

Each of the Cornerstone Investors is an Independent Third Party and is independent from each other. The Cornerstone Investors will acquire the Offer Shares pursuant to, and as part of, the International Placing. The Offer Shares will be counted towards the public float or our Company. None of the Cornerstone Investors will have any representation on the Board or be a substantial shareholder of the Company and will not subscribe for any Offer Shares under the Global Offering other than pursuant to the Cornerstone Placing Agreements to which they are parties respectively.

CORNERSTONE INVESTORS

The Offer Shares to be subscribed by the Cornerstone Investors will not be affected by re-allocation of the Offer Shares between the International Placing and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the subsection headed “Structure and Conditions of the Global Offering — Re-allocation” in this prospectus. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement which is expected to be published by us on or around 25 June 2015.

Conditions

The subscription obligation of each of the Cornerstone Investors under the Cornerstone Placing Agreement to which it is a party is conditional upon (i) issuance of the offering circular in relation to the International Placing, (ii) the underwriting agreement for the Hong Kong Public Offering and the International Placing being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently varied by agreement of the relevant parties thereto); (iii) neither of the aforesaid underwriting agreements having been terminated; (iv) the Listing Committee of the Stock Exchange having granted a listing of, and permission to deal in, the Shares and that such approval or permission having not been revoked; (v) the representations, warranties and undertakings of the relevant Cornerstone Investor in the Cornerstone Placing Agreement to which it is a party are accurate and true in all material respects and that there being no material breach of the Cornerstone Placing Agreement to which it is a party on the part of the Cornerstone Investor and the Company; (vi) the representations and warranties of our Company being accurate and true in all material respects; and (vii) no relevant laws or regulations shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the closing of the Cornerstone Placing Agreement to which it is a party and there shall be no order or injunction of a court of competent jurisdiction in effect precluding or prohibiting consummation of the closing of the Cornerstone Placing Agreement to which it is a party. In the event that the aforesaid conditions are not fulfilled by 31 July 2015 or such other dates as may be agreed between the Company, the Sole Global Coordinator and the Cornerstone Investor, that Cornerstone Placing Agreement shall cease to have effect but without affecting accrued rights or liabilities.

RESTRICTIONS ON DISPOSAL OF SHARES BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that without the prior written consent of the Company and the Sole Global Coordinator, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (“**Cornerstone Investor’s Lock-up Period**”), dispose of any of the Shares it has purchased pursuant to the Cornerstone Placing Agreement to which it is a party, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Cornerstone Investor’s Lock-up Period restriction.

After the expiration of the Cornerstone Investor’s Lock-up Period, each of the Cornerstone Investors shall be free to dispose of any Shares but (i) it shall use reasonable endeavour to ensure that any such disposal is strictly in accordance with the Listing Rules and SFO and does not create a disorderly or false market in the Shares and (ii) it shall not knowingly dispose of any Shares to any person, company entity who engages directly or indirectly in a business which compete or is likely to compete with the business of the Group without the prior written consent of the Company and the Sole Global Coordinator.

CORNERSTONE INVESTORS

CORNERSTONE INVESTORS

We set forth below brief description of the Cornerstone Investors.

Hong Kong Truly Electronics Manufacturing Limited

Hong Kong Truly Electronics Manufacturing Limited has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased with an aggregate of HK\$38.8 million at the Offer Price. Assuming the Offer Price of HK\$2.64, being the mid-point of the Offer Prices range set out in this prospectus, the total of Offer Shares that Hong Kong Truly Electronics Manufacturing Limited would subscribe for would be 14,684,000 representing approximately 6.91% of our Offer Shares and approximately 1.73% of our issued Shares immediately following the completion of Global Offering and the Capitalization Issue (assuming that Over-allotment Option is not exercised).

Hong Kong Truly Electronics Manufacturing Limited is a trading and investment company incorporated with limited liability in Hong Kong and is an indirect wholly-owned subsidiary of Truly International Holdings Limited. Truly International Holdings Limited is an investment holding company incorporated with limited liability in the Cayman Islands, the shares of which are listed on Main Board (stock code: 00732) since July 1991. Truly International Holdings Limited and its subsidiaries (“**Truly Group**”) are primarily engaged in the business of the manufacture and sale of liquid crystal display products. Truly Group was our supplier for touch panels and LCD modules for our mobile handsets during the Track Record Period. For each of three years ended 31 December 2014, our aggregate purchases from the Truly Group represented approximately 7.5%, 21.3% and 14.1% of our total purchases during the corresponding periods respectively. It was our second largest supplier for the year ended 31 December 2012 and our largest supplier for the years 31 December 2013 and 2014. We entered into a framework procurement agreement with Truly Group dated 22 September 2014 for a term of one year. All the terms were entered into on arm’s length basis and at normal commercial terms, and are similar to other suppliers of our Group. For summary terms of these agreements, please refer to the sub-section headed “Business – Raw materials and suppliers” in this prospectus.

Sun Xu Limited

Sun Xu Limited has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased with an aggregate of HK\$38.8 million at the Offer Price. Assuming the Offer Price of HK\$2.64, being the mid-point of the Offer Prices range set out in this prospectus, the total of Offer Shares that Sun Xu Limited would subscribe for would be 14,684,000 representing approximately 6.91% of our Offer Shares and approximately 1.73% of our issued Shares immediately following the completion of Global Offering and the Capitalization Issue (assuming that Over-allotment Option is not exercised).

Sun Xu Limited is an investment holding company incorporated in the BVI and is a controlling shareholder of Sunny Optical Technology (Group) Co., Ltd. Sunny Optical Technology (Group) Co., Ltd. is an investment holding company incorporated with limited liability in the Cayman Islands, the shares of which are listed on Main Board (stock code: 2382). Sunny Optical Technology (Group) Co., Ltd and its subsidiaries (“**Sunny Optical Group**”) are primarily engaged in the design, R&D, manufacture and sales of optical and optical-related products. Sunny Optical Group was our supplier for camera modules for our mobile handsets during the Track Record Period. For each of the three years ended 31 December 2014, our aggregate purchases from Sunny Optical Group represented approximately 1.0%, 3.8% and 4.2% of our total purchases during the corresponding periods respectively. It was our top five supplier for the year ended 31 December 2013. We entered into a framework procurement agreement with Sunny Optical Group dated 22 September 2014 for a term of one year. All the terms were entered into on arm’s length basis and at normal commercial terms, and are similar to other suppliers of our Group. For summary terms of these agreements, please refer to the sub-section headed “Business — Raw materials and suppliers” in this prospectus.

Vast Right Investment Limited

Vast Right Investment Limited has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased with an aggregate of HK\$38.8 million at the Offer Price. Assuming the Offer Price of HK\$2.64, being the mid-point of the Offer Prices range set out in this prospectus, the total of Offer Shares that Vast Right Investment Limited would subscribe for would be 14,684,000 representing approximately 6.91% of our Offer Shares and approximately 1.73% of our issued Shares immediately following the completion of Global Offering and the Capitalization Issue (assuming that Over-allotment Option is not exercised).

Vast Right Investment Limited is an investment holding company incorporated in Hong Kong and wholly-owned by Mr. Cai Rongjun. Mr. Cai Rongjun is the major shareholder of Shenzhen O-Film Tech Co., Ltd, a company incorporated with limited liability under the laws of the People's Republic of China, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002456) since August 2010. Shenzhen O-Film Tech Co., Ltd and its subsidiaries ("**O-Film Group**") are principally engaged in the manufacture and distribution of optoelectronic components. O-Film Group was our supplier for touch panel for our mobile handsets during the Track Record Period. For each of the three years ended 31 December 2014, our aggregate purchases from O-Film Group represented approximately 0.1%, 1.1% and 9.8% of our total purchase during the corresponding periods respectively. It was our top five supplier in 2013 and 2014. We entered into a framework procurement agreement with O-Film Group dated 22 September 2014 for a term of one year. All the terms were entered into on arm's length basis and at normal commercial terms, and are similar to other suppliers of our Group. For summary terms of these agreements, please refer to the sub-section headed "Business — Raw materials and suppliers" in this prospectus.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

The Board of Directors consists of six Directors, including two executive Directors, one non-executive Director and three independent non-executive Directors.

The principal functions and duties conferred on our Board include:

- convening and reporting to Shareholder's general meetings about the state of the Company's matters and business results;
- implementing the resolutions passed by our Shareholders in general meetings;
- setting the Company's policies and ensuring the policies have been followed;
- setting and reviewing the Company's goals and deciding the Company's action plans and budget proposed by the Company's management; and
- formulating proposals for dividend distribution.

The following table sets forth certain information concerning the Directors.

Name	Age	Position	Date of Joining the Company	Date of appointment as a director or senior management of our Group	Brief Description of Roles and Responsibilities	Relationship with other Directors or Members of Senior Management
Ms. Rong Xiuli (榮秀麗)	52	Chairperson and executive Director	12 August 2014	7 July 2004	Providing guidance and supervision regarding the business and operations of the Company	Sister of Mr. Rong Shengli
Mr. Rong Shengli (榮勝利)	45	Chief executive officer and executive Director	12 August 2014	1 October 2008	Responsible for the overall management of the Company's business operations	Brother of Ms. Rong Xiuli
Mr. Tang Shun Lam (鄧順林)	59	Non-executive Director	19 March 2015	19 March 2015	Providing strategic advice to the business and operations of the Company	N/A

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Position	Date of Joining the Company	Date of appointment as a director or senior management of our Group	Brief Description of Roles and Responsibilities	Relationship with other Directors or Members of Senior Management
Mr. Hon Kwok Ping, Lawrence (韓國平)	67	Independent non-executive Director	19 September 2014	19 September 2014	Providing independent opinion and judgment to the Board, particularly with regard to the financial aspects of the Company	N/A
Mr. Lam Yiu Kin (林耀堅)	60	Independent non-executive Director	19 September 2014	19 September 2014	Providing independent opinion and judgment to the Board, particularly with regard to the financial aspects of the Company	N/A
Mr. Tsang Yat Kiang (曾溢江)	66	Independent non-executive Director	19 September 2014	19 September 2014	Providing independent opinion and judgment to the Board, particularly with regard to the business aspects of the Company	N/A

Executive Directors

Ms. Rong Xiuli (榮秀麗) (“Ms. Rong”), aged 52, is a chairperson of the Company, executive Director and a member of the remuneration committee, nomination committee and risk management committee of the Company. Ms. Rong is the founder of the Group and is currently the chairperson of the Group. She gained experience and network in the mobile handset distribution business in the mid 1990s. She worked for 北京市百利豐通訊器材有限責任公司 (Beijing City Bailifeng Communication Apparatus Co., Ltd.*) which engaged in the sale and agency service of mobile phones and became the chairperson of this company until 2005. Ms. Rong also co-founded Tianyu with Mr. Ni Gang in 2002. She was responsible for sales and marketing, research and development, strategic planning and general management of Tianyu from 2002 to 2008. Ms. Rong was also a director of Benyware Technology since its establishment in 2004 and the chairperson of Benywave Technology from 2008 to 2014. Ms. Rong has ample experience in sales and marketing, distribution, research and development, risk management, personnel and general management. Ms. Rong has approximately 20 years of experience in mobile handset industry. Ms. Rong has extensive knowledge on telecommunications operations and control and deep understanding of the dynamic of telecommunications market in China. Ms. Rong graduated from Hunan University (湖南大學) with a degree in mechanical engineering specialized in internal combustion engine in 1983. Ms. Rong also obtained a master of business administration from China-Europe International Business School (中歐國際工商學院) (previously known as China-Europe Management Institute (中歐國際管理中心)) in 1993. Ms. Rong is a sister of Mr. Rong.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Rong Shengli (榮勝利) (“Mr. Rong”), aged 45, is a chief executive officer of the Company, executive Director and a member of the risk management committee of the Company and is responsible for the management and strategic development of our Group. Mr. Rong joined Benywave Technology in 2008 and was the vice chairman of Benywave Technology from October 2008 to July 2014, where he was responsible for the sales and the strategic planning for its Overseas Business. Prior to joining Benywave Technology, Mr. Rong served as marketing manager, regional director and general manager of operational business department of Tianyu and its subsidiaries from 2000 to 2008. Mr. Rong did not have any role in Tianyu since 2008. Mr. Rong has about 15 years of experience in telecommunications industry and management. Mr. Rong obtained a bachelor’s degree from Harbin Engineering University (哈爾濱工程大學) (previously known as Harbin Shipbuilding Engineering Institute (哈爾濱船舶工程學院)) specialized in radio communications in 1992. Mr. Rong also obtained a master of business administration from China-Europe International Business School (中歐國際工商學院) in 1997. Mr. Rong is a brother of Ms. Rong.

Mr. Rong was one of the shareholders and a director of 北京榮鑫盛達文化發展有限公司 (Beijing Rongxin Shengda Cultural Development Co. Ltd.*), a domestic enterprise formed under the laws of PRC in 2011 which carried on, among other things, the business of organizing cultural events, undertaking exhibitions and sale of artworks. The business license of this company was revoked in 2013 as an administrative sanction because it did not attend the annual examination in 2012. According to Mr. Rong, this company has ceased to carry on business shortly after its formation due to ill health of his business partner who was responsible for daily operations of this company, and due to inadvertence on the part of the management of this company, the annual examination of this company was overlooked, leading to the revocation of the business license. Mr. Rong confirmed that this company was solvent at the time when it was revoked. After considering that the revocation was due to inadvertent oversight, and that it was an isolated incident which did not involve any fraud or dishonesty, the Directors are of the view, and the Sole Sponsor concurs that Mr. Rong has the character, experience, integrity and the level of competence required of a director under Rules 3.08 and 3.09 of the Listing Rules.

Non-executive Director

Mr. Tang Shun Lam (鄧順林) (“Mr. Tang”), aged 59, is our non-executive Director. He is a consultant of Warburg Pincus LLC, since 2007. Mr. Tang worked for RDA Microelectronics, Inc., a company listed on NASDAQ Stock Market, from 2010 to January 2015 first as a senior vice president of operations and subsequently as a director and executive chairman. From 1999 to 2007, Mr. Tang was the president, Asia Pacific for Viasystems Group, Inc., a company listed on NASDAQ Stock Market. Mr. Tang was also the non-executive chairman and a director of China Eco-Farming Limited (formerly known as Linefan Technology Holdings Limited) (the shares of which are listed on the GEM, stock code: 8166) from 2008 to 2009 and an independent non-executive director of Asia Coal Limited (formerly known as Wanji Pharmaceutical Holdings Limited) (the shares of which are listed on the Main Board, stock code: 835) from 2003 to 2005. He was the chief executive officer and a director of Coolsand Holdings Co., Ltd. from 2008 to 2012. He received a bachelor of science degree in electrical and electronics engineering from Nottingham University in England in 1979 and a master of business administration from Bradford University in England in 1981.

Independent non-executive Directors

Mr. Hon Kwok Ping, Lawrence (韓國平) (“Mr. Hon”), aged 67, is an independent non-executive Director and a member of the audit committee, remuneration committee, nomination committee and risk management committee of the Company. Mr. Hon was appointed as accountant, chief accountant, and company secretary in several companies between 1973 and 1984. Mr. Hon was the financial director and deputy managing director in Modern Printing Equipment Ltd., a company of the Buhrmann-Tellerode Group from 1984 to 1994. Mr. Hon was the vice president of Sino-Forest Corporation from 1994 to 1998. Mr. Hon was the

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

president and chief executive officer of AgroCan Corp from 1997 to 2003. Mr. Hon served as advisor and financial controller of Courage Marine Group Limited (the shares of which are listed on the Main Board, stock code: 1145) since 2004 and he is currently the director of finance of its group. Mr. Hon has about 42 years of experience in accounting and financial management. Mr. Hon obtained his accounting professional status through the Association of International Accountants, UK. Mr. Hon is a fellow member of HKICPA. Mr. Hon obtained a master of business administration from University of East Asia in Macau in 1991.

Mr. Lam Yiu Kin (林耀堅) (“Mr. Lam”), aged 60, is an independent non-executive Director and a member of the audit committee, remuneration committee and nomination committee of the Company. Mr. Lam was the audit partner of PricewaterhouseCoopers from 1993 to 2013. Mr. Lam has been the independent non-executive director of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (the shares of which are listed on the Main Board, stock code: 1349) since 2013. Mr. Lam has been the independent non-executive director of Kate China Holdings Limited (the shares of which are listed on the GEM, stock code: 8125) since 2014. Mr. Lam has been the independent non-executive director of Spring Real Estate Investment Trust (the shares of which are listed on the Main Board, stock code: 1426) since 2015. Mr. Lam has about 40 years of experience in accounting, auditing and business consulting. Mr. Lam is a member of HKICPA, the Association of Chartered Certified Accountants, the Institute of Chartered Accountants in Australia and the Institute of Chartered Accountants in England & Wales. Mr. Lam is currently an adjunct professor in the School of Accounting and Finance of The Hong Kong Polytechnic University, and a member of the finance management committee of the Hong Kong Management Association. Mr. Lam obtained a higher diploma in accountancy from The Hong Kong Polytechnic University in 1975.

Mr. Tsang Yat Kiang (曾溢江) (“Mr. Tsang”), aged 66, is an independent non-executive Director and a member of the audit committee, remuneration committee and nomination committee of the Company. Mr. Tsang has been appointed as a director of several companies in PRC and Hong Kong since 1993. Mr. Tsang is a founding member of the group of Lerado Group (Holding) Company Limited (the shares of which are listed on the Main Board, stock code: 1225), where he was the vice chairman from 1998 to 2003. Mr. Tsang has been the director of 中山市高兒萊茵日用制品有限公司 (Zhongshan Chloe Ryan Industrial Co., Ltd.*) since 2006, where he is responsible for strategic and financial planning and business development. Mr. Tsang has more than 20 years of experience in corporate governance and management.

Save as disclosed herein, there are no other matters in respect of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there are no other material matters relating to each of our Directors that need to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

The following table sets forth certain information concerning the Group’s senior management:

Name	Age	Position	Date of Joining the Group	Brief Description of Roles and Responsibilities	Relationship with other Directors or Members of Senior Management
Ms. Gou Lishan (勾黎杉)	31	Chief financial officer	15 July 2014	Responsible for the overall financial management of the Company	N/A

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Position	Date of Joining the Group	Brief Description of Roles and Responsibilities	Relationship with other Directors or Members of Senior Management
Mr. Pei Hongan (裴洪安)	38	Vice president — in charge of R&D	1 October 2008	Responsible for the research and development of products of the Company	N/A
Mr. Shen Guiping (申貴平)	48	Vice president — in charge of sales	30 March 2009	Responsible for the overseas marketing sales function of the Company	N/A

Ms. Gou Lishan (勾黎杉) (“Ms. Gou”), aged 31, is a chief financial officer of the Company and is responsible for the finance and accounting controls of the Company. Ms. Gou joined Benywave Technology in 2014 and is currently the chief financial officer of Benywave Wireless. Ms. Gou has about 9 years of experience in accounting and finance. Prior to joining Benywave Technology, Ms. Gou worked for PricewaterhouseCoopers from 2006 to 2008 and Ernst & Young from 2008 to 2011, where she was responsible for audit and consultation functions. Ms. Gou also worked as senior accounting manager in 北京視博數字電視科技有限公司 (Beijing Super TV Co., Ltd.*) from 2011 to 2013. Ms. Gou obtained a bachelor’s degree specialized in accounting from Beijing Technology and Business University (北京工商大學) in 2006. Ms. Gou was licensed as a certified public accountant in the State of Maine from 2011 to September 2014 and in Guam since 2014.

Mr. Pei Hongan (裴洪安) (“Mr. Pei”), aged 38, is our vice president — in charge of R&D and is responsible for the research and development of products of the Company. Mr. Pei joined Benywave Technology in 2008 and was the overseas research and development director of Benywave Technology from 2008 to 2014. Mr. Pei is currently the vice president — in charge of R&D of Benywave Wireless. Mr. Pei served as engineer, department manager and product director of Tianyu from 2004 to 2008. Mr. Pei has about 11 years of experience in research and development in the electronics telecommunications device industry. Mr. Pei obtained a bachelor’s degree from 北京信息工程學院 (Beijing Information Technology Institute*) in 1998 and a master’s degree in engineering from Beijing Institute of Technology (北京理工大學) in 2001.

Mr. Shen Guiping (申貴平) (“Mr. Shen”), aged 48, is our vice president-in charge of sales and is responsible for the overseas marketing sales function of the Company. Mr. Shen joined Benywave Technology in 2009 and served as overseas sales director of Benywave Technology from 2009 to 2014, where he was responsible for overseas market development. Mr. Shen is currently the vice president-in charge of sales of Benywave Wireless. Prior to joining Benywave Technology, Mr. Shen worked as overseas business development director in Hisense Company Limited from 2001 to 2004, where he was in charge of matters related to overseas business development. Mr. Shen also worked as general manager in Hisense USA Co., Ltd. from 2004 to 2007 and Hisense Communication Co., Ltd. from 2007 to 2009, where he was responsible for local mobile and television business and international sales and marketing. Mr. Shen has about 14 years of experience in overseas business development in telecommunications industry. Mr. Shen obtained a bachelor’s degree from Beihang University (previously known as Beijing University of Aeronautics and Astronautics) in 1988 and a master of business administration from National University of Singapore in 2001.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPANY SECRETARY

Mr. Chui Man Lung, Everett (徐文龍) (“Mr. Chui”), aged 51, is a secretary of the Company and he joined the Company on 16 August 2014. Mr. Chui worked for KPMG from 1987 to 1993. Mr. Chui served as the financial controller and company secretary of Yau Lee Holdings Limited (the shares of which are listed on the Main Board, stock code: 406) from 1995 to 2008. Mr. Chui has been appointed as the director of Cen-1 Partners Limited since 2008. Mr. Chui has been the independent non-executive director of Taung Gold International Limited (the shares of which are listed on the Main Board, stock code: 621) since 2010. Mr. Chui has been the director of WKI Group Limited since 2012. Mr. Chui has about 28 years of experience in auditing, accounting and financial management. Mr. Chui is a fellow member of HKICPA and the Association of Chartered Certified Accountants and an associate of the Institute of Chartered Accountants in England and Wales. Mr. Chui obtained a bachelor’s degree from University of Southampton in the United Kingdom in 1986.

BOARD COMMITTEES

The Company is committed to good standards of corporate governance to enhance the long-term shareholder value. We have established an audit committee, a nominating committee, a remuneration committee and a risk management committee and the committees operate in accordance with terms of reference established by our Board.

Audit Committee

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The audit committee currently comprises of Lam Yiu Kin (acting as chairman of the audit committee), Hon Kwok Ping, Lawrence and Tsang Yat Kiang, all of whom are independent non-executive Directors. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of our Group.

Remuneration Committee

We have established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The remuneration committee currently comprises of Tsang Yat Kiang (acting as chairman of the remuneration committee), Hon Kwok Ping, Lawrence and Lam Yiu Kin, all are independent non-executive Directors, and Ms. Rong, who is the chairperson of the Company and an executive Director. The primary duties of the remuneration committee are to evaluate and make recommendations to the Board on the remuneration policy covering the Directors and senior management of our Group.

Nomination Committee

We have established a nomination committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The nomination committee currently comprises of Tsang Yat Kiang (acting as chairman of the nomination committee), Hon Kwok Ping, Lawrence and Lam Yiu Kin, all are independent non-executive Directors, and Ms. Rong, who is the chairperson of the Company and an executive Director. The primary duties of the nomination committee are to identify, screen and recommend to the Board appropriate candidates to serve as directors of our Company, to oversee the process for evaluating the performance of the Board and to develop, recommend to the Board and monitor nomination guidelines for our Company.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Risk Management Committee

We have established a risk management committee with written terms of reference. The risk management committee currently comprises of Hon Kwok Ping, Lawrence (acting as chairman of the risk management committee), who is an independent non-executive Director, Rong Shengli, who is the chief executive officer of the Company and an executive Director, and Ms. Rong, who is the chairperson of the Company and an executive Director. The primary duties of the risk management committee are to identify potential risks faced by our Group, to assess such risks and implications to our Group and to formulate policies on risk management matters.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of salaries, fees, allowances, benefits in kind and/or discretionary bonuses relating to the performance of our Group. We also reimburse our Directors and senior management for expenses which are necessarily and reasonably incurred for providing services to us or discharging their duties in relation to our operations.

The aggregate amount of remuneration (including fees, salaries, discretionary bonus, retirement benefit contribution (including pension), allowances, and other benefits in kind) paid to our Directors for the three years ended 31 December 2014 was approximately RMB1.5 million, RMB1.5 million and RMB1.9 million, respectively.

The aggregate amount of fees, salaries, discretionary bonus, retirement benefit contribution (including pension), allowances, and other benefits in kind paid to our five highest paid individuals of our Company, including Directors, for the three years ended 31 December 2014 was approximately RMB2.8 million, RMB3.0 million and RMB3.0 million, respectively.

We have not paid any remuneration to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the three years ended 31 December 2014. Further, none of our Directors have waived or agreed to waive any remuneration during the same period.

Save as disclosed above, no other payments have been paid or are payable, in respect of the three years ended 31 December 2014, by us or any of our subsidiaries to our Directors.

Under the arrangements currently in force, we estimate the aggregate of the remuneration and benefits in kind payable to the Directors for the year ending 31 December 2015 to be approximately RMB2.5 million.

COMPLIANCE ADVISOR

We have appointed Haitong International Capital as our compliance advisor upon the Listing in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor shall advise us under the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- where we proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of appointment will commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

EMPLOYEES

As at the Latest Practicable Date, we employed 120 staff members in total. For a breakdown of our employees by function as at the Latest Practicable Date, please refer to the paragraph headed “Business — Employees” in this prospectus.

We consider our relationship with our employees to be good. We believe that our management policies, working environment, development opportunities and employee benefits have contributed to building good employee relations and employee retention.

During the Track Record Period, we have not experienced any strikes, work stoppages or significant labour strikes in the past and have not experienced any significant difficulties in recruiting or retaining qualified staff.

Employees’ benefits

In accordance with the applicable laws and regulations in the PRC, we make contributions to social security scheme and housing provident fund for our employees. As advised by our PRC Legal Advisers, according to confirmations from the relevant authorities, to the best of their knowledge, we have been in compliance in all material respects with applicable employment laws during the Track Record Period.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid as at the date of this prospectus and immediately after completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised):

Authorized Share Capital

	Number of Shares	Nominal value (HK\$)
Authorized share capital	1,000,000,000 Shares of HK\$0.10 each	100,000,000

Issued and to be issued, fully paid or credited as fully paid:

	Number of Shares	Nominal value (HK\$)
Shares in issue as at the date of this prospectus	1,000 Shares of HK\$0.10 each	100
Shares to be issued pursuant to the Capitalisation Issue	645,999,000 Shares of HK\$0.10 each	64,599,900
Total number of new Shares to be issued under the Global Offering	204,000,000 new Shares of HK\$0.10 each	20,400,000
Total issued Shares on completion of the Global Offering	850,000,000 Shares of HK\$0.10 each	85,000,000

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering. The above does not take into account any shares which may be issued and/or sold pursuant to the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus other than the participation in the Capitalisation Issue.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks *pari passu* with the other shares.

Pursuant to the Companies Law and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary resolution of shareholders (i) appoint and remove directors, (ii) alter its share capital by way of increase, consolidation, division into different classes, subdivision and cancellation of Shares which have not been taken; (iii) declare dividend, and (iv) approve a voluntary winding-up. In addition, our Company may subject to the provisions of the Companies Law (i) amend its constitutional documents, (ii) change its name, and (iii) reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. For details, please refer to the subsection headed “Summary of the Constitution of the Company and the Companies Law — 2. Articles of Association” in Appendix III to this prospectus.

Pursuant to the Companies Law and the terms of the Memorandum and the Articles, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For more details, please refer to the subsection headed “Summary of the Constitution of the Company and the Companies Law — 2. Articles of Association — (d) Variation of rights of existing shares or classes of shares” in Appendix III to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in the section headed “Structure and conditions of the Global Offering” of this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with any unissued Shares and to make or grant offers, agreements and options (including but not limited to any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive into Shares) which might require the exercise of such powers, provided that the aggregate nominal value of Shares so allotted or issued or agreed conditionally or unconditionally to be allotted or issued (whether pursuant to an option or otherwise) by the Directors other than pursuant to:

- (a) a rights issue;
- (b) an issue of Share upon the exercise of options which may be granted under the Share Option Scheme or similar arrangement or under the Global Offering;
- (c) any scrip dividend scheme or other similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles of Association;
- (d) exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares in issue prior to the date of grant of this mandate; or

SHARE CAPITAL

- (e) a specific authority granted by the Shareholders in general meeting,

shall not exceed the aggregate of:

- (i) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme); and
- (ii) the aggregate nominal amount of the share capital of our Company which may be purchased by our Company under the general mandate to repurchase Shares referred to in the subsection headed “General Mandate to Repurchase Shares” in this section below.

This general mandate to issue Shares will expire:

- (a) at the conclusion of our next annual general meeting; or
- (b) at the end of the period within which our next annual general meeting is required by our Articles of Association or any applicable laws of the Cayman Islands to be held; or
- (c) at the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing this mandate, whichever is the earliest.

For further details of this general mandate, please refer to the subsection headed “Statutory and General Information — A. Further information about our Group — 5. Resolutions of our Shareholders” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed “Structure and conditions of the Global Offering” of this prospectus, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of our share capital in issue immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option).

This general mandate relates only to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Listing Rules or of any other stock exchange as amended from time to time. A summary of the relevant Listing Rules is set out in the subsection headed “Statutory and General Information — A. Further information about our Group — 6. Repurchases of our own Shares” in Appendix IV to this prospectus.

This general mandate to repurchase Shares will expire:

- (a) at the conclusion of our next annual general meeting; or
- (b) at the end of the period within which our next annual general meeting is required by our Articles of Association or any applicable laws of the Cayman Islands to be held; or

SHARE CAPITAL

- (c) at the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing this mandate, whichever is the earliest.

For further details of this general mandate, please refer to the subsection headed “Statutory and General Information — A. Further information about our Group — 5. Resolutions of our Shareholders” in Appendix IV to this prospectus.

RSU SCHEME

The RSU Scheme was conditionally adopted on 9 June 2015. Please refer to the subsection headed “Statutory and General Information — D. RSU Scheme” in Appendix IV to this prospectus for details.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted on 9 June 2015. Please refer to the subsection headed “Statutory and General Information — E. Share Option Scheme” in Appendix IV to this prospectus for details.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial information together with the accompanying notes, set forth in Appendix I as to this prospectus. Our consolidated financial statements have been prepared in accordance with IFRS, which may differ in certain material respects from generally accepted accounting principles in other jurisdictions. You should read the whole of Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements due to various factors, including those set forth in the sections headed “Forward-Looking Statements” and “Risk Factors”.

Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are one of the leading ODM smartphone suppliers in the PRC targeting overseas markets. According to the Frost & Sullivan Report, we ranked the fourth amongst the PRC smartphone exporters on ODM basis in terms of export shipment volume^{Note} which accounted for approximately 2.5% of the total China smartphone export volume in 2014. We are primarily engaged in developing, designing, production management and sale of mobile handsets to markets covering more than 25 countries, excluding China. Our products are sold by our customers under their own or authorised brand names. Our customers include various top local branded mobile handset suppliers, telecommunication operators and trading companies in South Asia, South East Asia, Europe, North America, South America, Africa and other parts of Asia.

We provide a wide range of services including developing, designing, production management and sale of mobile handsets to suit our customers’ needs and/or specifications. Design of mobile handsets mainly involves hardware, software, mechanical and circuitry for producing a mobile handset to maximize the compatibility of various hardware, software and components of a mobile handset with specified functions as well as outlook design of the products. We outsource our processing and assembly process to our EMS providers while providing raw material, production process design, technical support and onsite supervising personnel to monitor the production schedule and product quality.

For each of the three years ended 31 December 2014, our total revenue was approximately RMB663.6 million, RMB1,368.9 million and RMB1,916.2 million, respectively, representing a CAGR of 69.9% over the three years ended 31 December 2014, while our net profit for the year was approximately RMB35.8 million, RMB82.9 million and RMB156.2 million, respectively, representing a CAGR of 108.9% over the three years ended 31 December 2014. We decided to focus on the production of smartphones and start to explore new market and reduced the production of feature phone since 2012 primarily because we look for higher margin to be generated from smartphones. We successfully changed our product mix to selling a majority of smartphone and smartphone components for the two years ended 31 December 2014, which accounted for over 99% of our revenue, experiencing a boost in both of our revenue and net profit thereafter.

Note:

According to Frost & Sullivan, global mobile handset shipment reached 1,890.0 million units in 2014. China has been responsible for a large proportion of the global handset production. The export volume of mobile handsets in China represented approximately 69.3% of the global mobile handset production in 2014. While the market is highly fragmented (i.e. the largest ODM smartphone exporter accounted for 4.3% of the total smartphone export volume in 2014), the Group’s export volume accounted for 2.5% of the total PRC smartphone export volume in 2014. Approximately 81.9% of the smartphone export volume from China in 2014 was attributable to smartphone brand owners and OEM suppliers. The remaining 18.1% was attributable to exports by smartphone suppliers on ODM basis. The Chinese market of smartphone export on ODM basis remains large and representative.

FINANCIAL INFORMATION

BASIS OF PREPARATION

Our principal subsidiary Benywave Wireless is a company split from Benywave Technology which engaged in both the PRC Business and the Overseas Business during the Pre-split Period. The Overseas Business was operated as a business unit under Benywave Technology prior to the completion of the Split. In July 2014, Benywave Wireless as an entity arising from the Split, has assumed the Overseas Business.

The Group comprising the Company and its subsidiaries resulting from the Reorganization is regarded as a continuity entity. The Overseas Business has been under the common control by Ms. Rong and Mr. Ni throughout the Track Record Period. Accordingly, the financial statements of the Group has been prepared on the basis as if the Company had always been the holding company of the Group.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each the three years ended 31 December 2014 include the results, changes in equity and cash flows of the Overseas Business as if the Overseas Business had been operated by the Group throughout the Track Record Period.

The consolidated statements of financial position of the Group as at 31 December 2012 and 2013 have been prepared to present the assets and liabilities of the Overseas Business, as if the current group structure had been in existence and the Overseas Business had been transferred to the Group on those dates.

Principles and factors taken into account

When considering the presentation of the financial information of the Overseas Business using the above basis, our Directors have also taken into account the following principles and factors:

- (a) the extent to which the Overseas Business has been separately managed and financially controlled within Benywave Technology; and
- (b) the extent to which it is practicable to identify the historical financial information attributable to the Overseas Business.

Prior to the Split, the Overseas Business was separately managed from the PRC Business, and led by the current Group's senior management team which was fully responsible for Overseas Business. Prior to and subsequent to the Split, the Overseas Business has been led by the current Group's senior management team. The senior management of the Group exercises full responsibility for establishment and implementation of the business strategies of the Group. Prior to and subsequent to the Split, our senior management has managed the Overseas Business consistent with the following parameters:

- Sales persons for Overseas Business are responsible for sales to customers covering more than 25 countries other than the PRC. Sales team reports to Mr. Shen Guiping (sales director to the Overseas Business unit of Benywave Technology before the Split and vice president — in charge of sales of Benywave Wireless upon the Split), who in turn reports to Mr. Rong Shengli (the vice president of the Overseas Business unit of Benywave Technology before the Split, and chief executive officer of the current Group), who in turn reports to Ms. Rong (a director and founder of Benywave Technology before the Split and the chairperson of the current Group)
- Overseas Business unit's sales team is responsible for collecting the receivables from the overseas customers
- R&D team for Overseas Business headed by Mr. Pei Hongan, our vice president — in charge of R&D who has been responsible for overseeing R&D for the Overseas Business during the Pre-Split Period till now, is responsible for R&D projects serving overseas customers

FINANCIAL INFORMATION

For details of how the Overseas Business and PRC Business were delineated and separately managed from the aspect of sales, R&D, procurement, outsourcing and management, please refer to the subsections headed “Relationship with Controlling Shareholders — Delineation of Business” and “Relationship with Controlling Shareholders — Summary table of major differences between the Overseas Business and the PRC Business” in this prospectus. On such basis, our Directors are of the view that the Overseas Business has been clearly delineated from the PRC Business in terms of the nature of business and management.

Assets and liabilities were assigned to the Overseas Business as agreed between the Benywave Technology and Benywave Wireless pursuant to the Split Agreement. Asset and liabilities were assigned to the Overseas Business in so far as they are related to the operations and sales of the Overseas Business based on the allocation method which is consistent with the method adopted during the Track Record Period. The total assets, total liabilities and total equity assigned to the Overseas Business as at 31 August 2014 amounted to approximately RMB365.9 million, RMB90.8 million and RMB275.1 million respectively.

The extent of the relevant items in the financial statements of the Overseas Business and the PRC Business can be separately identified are set out in the subsection headed “Basis of preparation of selected items in the Consolidated Statements of Profit or Loss and Other Comprehensive Income during the Pre-split Period up to 31 August 2014” in this section.

Since the Overseas Business was carried out by Benywave Technology prior to the Split, to the extent the assets, liabilities, income and expenses that are specifically identified to the Overseas Business, such items are included in the financial information of the Group throughout the Pre-split Period up to 31 August 2014. To the extent the assets, liabilities, income and expenses that are common to the Overseas Business and the PRC Business, these items are allocated between the Overseas Business and the PRC Business on the basis set out below (such items include certain cost relating to supporting function of R&D and administrative expenses) during the Pre-split Period up to 31 August 2014. Items that do not meet the criteria above are not included in the financial information of the Group, such as the bank accounts were not separately managed and financially controlled by Benywave Technology for the Overseas Business prior to the Split because the treasury and cash disbursement functions of the Overseas Business were centrally administrated by Benywave Technology and accordingly, no cash and bank balances were recorded in the financial information of the Group as at 31 December 2012 and 2013.

Expenses which are common to the Overseas Business and the PRC Business for the Pre-Split Period up to 31 August 2014 are allocated on the following basis: (1) included in research and development costs for supportive function related cost of approximately RMB22.8 million, representing partial staff costs, product test costs and other expenses were allocated based on percentage of the budgeted revenue of the Overseas Business and percentage of the budgeted revenue of the PRC Business; (2) included in administrative expenses of approximately RMB13.7 million, representing, partial staff costs, sundry office costs and other expenses were allocated based on headcount of the Overseas Business and percentage of the headcount of the PRC Business; and (3) income tax expenses were calculated based on the tax rate of the Overseas Business as if it is a separate taxpayer prior to the Split. Our Directors believe that the method of allocation of the above items presents a reasonable basis of estimating the operating results of the Overseas Business unit as if on a stand-alone basis for the Pre-split Period up to 31 August 2014. Other than certain of the research and development costs, administrative expenses and income tax expenses mentioned above, all other items of the assets, liabilities, income and expenses are specifically identified.

For the basis of allocation between the Overseas Business and the PRC Business in respect of the assets, liabilities, income and expenses that are common to the Overseas Business and the PRC Business, please refer to Note 2 to the Accountants’ Report in Appendix I to this prospectus.

FINANCIAL INFORMATION

The Sole Sponsor, based on (a) its independent due diligence conducted as summarised below regarding whether the Overseas Business has been separately managed and financially controlled within Benywave Technology and (b) having considered the reasonableness of the work done by the Reporting Accountants in respect of the allocation basis adopted, including (i) understanding the methodologies adopted by our Directors in preparing the financial information of the Overseas Business, (ii) discussion with the management to understand the basis for determining the items relating to the Overseas Business and (iii) that they have considered the principles and factors such as the Overseas Business has been managed separately and separately financially controlled in overall, and the results of their findings as a whole, the Sole Sponsor concurs with our Directors' view that (a) the financial information of Benywave Technology based on which the allocations are made is reliable, (b) the Overseas Business has been separately managed and financially controlled within Benywave Technology and (c) the method of allocation of the above items presents a reasonable basis of estimating the operating results of the Overseas Business unit as if on a stand-alone basis for the Pre-split Period up to 31 August 2014.

The Sole Sponsor has conducted various independent due diligences procedures to assess whether, and has considered that, the Overseas Business was separately managed and separately financially controlled within Benywave Technology prior to the Split and whether the historical financial information attributable to the Overseas Business was practicably to be identified. The nature of such due diligence procedures included among others, the following:

- discussed with the management teams and specific employees of Benywave Technology, for both the Overseas Business and the PRC Business, to assess whether the key functions and business processes for each of the Overseas Business and the PRC Business were separately managed;
- discussed with the finance department personnel in charge for each of Benywave Technology and the Group to understand the segregation of accounts between the Overseas Business and the PRC Business; assessed the reliability of the financial system and the audited financial accounts of Benywave Technology; examined the financial system and ledgers of the Overseas Business and the PRC Business, to assess whether items specifically related to the Overseas Business can be identified from the historical financial records during the Track Record Period, sample tested such specifically identified items to ensure they are correctly segregated; understood the basis of allocation and re-performed calculations for relevant amounts for the allocated expenses; as well as considered the fairness of the presentation of the financial statements of the Group during the Pre-split Period;

The Overseas Business and the PRC Business were managed separately and separately financially controlled within Benywave Technology as a whole. Key functions and business processes of the Group including sales team and R&D team were separately managed by different department heads for each of the Overseas Business and the PRC Business. While the bank accounts and treasury functions of the Overseas Business were centrally administrated by Benywave Technology prior to the Split, our Directors consider it does not affect that the two businesses were separately managed and financially controlled as a whole, and therefore the financial statements of the Group should be presented on a stand-alone basis, Segregation of accounts between the Overseas Business and the PRC Business were properly carried out by the management for each of the Overseas Business and the PRC Business, evidently by enabling the review of the financial performance of the Overseas Business and the PRC Business separately, which enables the identification of income and expenses specifically related to the Overseas Business, while income and expenses not directly related to the Overseas Business have been properly and reasonably allocated between the PRC Business and the Overseas Business. Such basis of segregation of accounts and allocation has been audited by the Reporting Accountants and their opinion on the financial information of the Group for the Track Record Period is set out in the Accountants' Report in Appendix I of this prospectus. Our Directors consider, which the Sole Sponsor concurs, that the financial information of our Group is reasonably segregated and allocated, while the audited

FINANCIAL INFORMATION

financial information of Benywave Technology, audited by Da Hua Certified Public Accountants (currently in association with Moore Stephens), is reliable for the understanding of the financial position of Benywave Technology as a whole, despite it was loss making for the two years ended 31 December 2013.

After the Split, our Group took a period of time to obtain all of its necessary licenses to operate its business and open its bank accounts. After 31 August 2014, all of the allocation of expenses shared between the Overseas Business and the PRC Businesses has ceased and the Group incurred its own income and expenses which were recorded directly in its own financial statements.

Basis of preparation of selected items in the Consolidated Statements of Profit or Loss and Other Comprehensive Income during the Pre-split Period up to 31 August 2014

Revenue

Benywave Technology has maintained separate accounting ledgers to record the revenues for PRC Business and Overseas Business. Revenue for Overseas Business is specifically identified from the accounting system indicating overseas sales and customers.

Cost of sales

Costs of sales were recorded in separate sub-ledgers, and mainly include costs of raw materials, sub-contracting costs, write down of inventories, warranty and others.

Raw materials and subcontracting cost could be specifically identified for Overseas Business.

Write down of inventories and warranty could be specifically identified based on the models sold by Overseas Business.

Overall, costs of sales for Overseas Business can be specifically identified and booked as the costs of sales for Benywave Wireless.

Selling and distribution expenses

The management extracted the amounts of selling and distribution expense items recorded in separate ledger accounts of the “expenses” sub-ledger that can be specifically identified to the operations of the Overseas Business, such as sales department staff salaries and freight charges.

The management reviewed each transaction recorded in selling and distribution expense ledger accounts of Benywave Technology and ensure no expenses were related to the Overseas Business on a transaction-by-transaction basis.

Administrative expenses

Administrative expenses mainly include staff costs (including salaries and allowances, staff welfare and other staff related expenses) for administrative employees, general office expenses, property management fees, security fees, agency fees, entertainment expenses, and professional fees.

The management extracted the amounts of administrative expense items recorded in separate ledger accounts of the “expenses” sub-ledger that can be specifically identified to the operations of the Overseas Business, such as handling fee, staff cost specifically related to Overseas Business, stamp duty tax etc (“**Specifically Identified G&A Expenses**”).

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The management reviewed each transaction recorded in administrative expense ledger accounts of Benywave Technology and ensure no expenses other than Specifically Identified G&A Expenses were related to the Overseas Business on a transaction-by-transaction basis.

For other expenses, such as staff costs and general office expense, etc., the amount was allocated based on the number of employees providing service to the Overseas Business and PRC Business by reference to the records kept by Benywave Technology. Listing expenses for Overseas Business were specifically identified.

Research and development costs

Research and development costs mainly include staff costs (including salaries and allowances, staff welfare and other staff related expenses) and testing fee for research and development employees.

The management has segregated the research and development departments for different units for clear identified purposes. Separate units were maintained for Overseas Business and PRC Business with some units which performed design and testing for both Overseas Business and PRC Business. Each unit maintained its sub-ledger.

The management extracted the amounts of research and development items recorded in separate ledger accounts of the “expenses” sub-ledger that can be specifically identified to the operations of the Overseas Business.

Although the R&D teams for the Overseas Business and the PRC Business have been segregated, sharing of outlook designs and potential inter-personnel communication on technology and intellectual information by means of conversation between employees were not restricted between the Overseas Business and the PRC Business. While such information is intangible and mostly readily available in public sources such as the internet, the management considered it would be more prudent to share the cost of certain R&D supporting teams mainly dedicated to the PRC Business in case certain information has been verbally shared by certain employees and caused potential benefits in the R&D process of the Overseas Business. Therefore for the supporting teams units which served both Overseas Business and PRC Business such as the testing teams, and the units which have produced R&D results that are possible for intellectual sharing, their costs have been allocated based on the budgeted revenue of Overseas Business and PRC Business proportionally.

Other gain and loss

During the Pre-split Period up to 31 August 2014, sales proceeds for Overseas Business are mainly denominated in USD. Purchases for raw materials are denominated and settled mainly in RMB. Sales proceeds for PRC Business are all denominated in RMB whereas purchases for raw materials are denominated in and settled mainly in RMB. Overseas Business is therefore exposed to foreign exchange rate risk and such risk for PRC Business is much lower.

Other gains and losses mainly includes exchange difference arising from translation of US dollar and RMB, which are specifically identified for Overseas Business.

Taxation

Our principal subsidiary Benywave Wireless is a company split from Benywave Technology which engaged in both PRC Business and Overseas Business. The standard statutory enterprise income tax rate under the PRC tax laws is 25%, whereas the relevant applicable tax rate for Benywave Technology is 15% as it has been recognised as a high technology enterprise. Given the PRC Business is less profitable than the Overseas Business and Benywave Technology recorded tax loss during the Pre-split Period with reference to its financial

FINANCIAL INFORMATION

statements and its tax filings made in accordance with the relevant PRC tax laws, Benywave Technology were hence not required to pay taxes during the Pre-split Period.

The consolidated statements of financial position of the Group as at 31 December 2012 and 2013 have been prepared to present the assets and liabilities of the Overseas Business, as if the current group structure had been in existence on those dates.

Basis of preparation of certain items of consolidated statements of financial position during the Pre-split Period up to 31 August 2014

Property, plant and equipment

Property, plant and equipment mainly comprised of office equipments used by the staff for Overseas Business and are specifically identified for Benywave Wireless.

Inventories

Inventory is mainly comprised of finished goods (including smartphone component parts) and raw materials. Finished goods are specifically identified for those produced for Overseas Business.

Although the request for sourcing of raw materials were separately prepared by each of the Sourcing Teams for Overseas Business and PRC Business, the placing of purchase orders for raw material of PRC Business and Overseas Business was made by Benywave Technology as a single entity. Accordingly, it is assumed that the purchases were made from Benywave Technology. For those commonly used raw materials for PRC Business and Overseas Business, it is treated as an asset for the PRC Business and it would only be treated as an asset of the Overseas Business by way of purchasing from Benywave Technology when the relevant raw materials are stock out for the processing and assembling of overseas products.

Trade and other receivables

Trade receivables arise from revenue generated from Overseas Business were recorded by Benywave Technology in the “sales” sub-ledger and can be specifically identified.

Other receivables and prepayments mainly represented value added tax receivable and amount due from staff and can be specifically identified.

Trade payables, accruals and other payables, deposits received from customers

Purchase of raw materials of PRC Business and Overseas Business was centralised by Benywave Technology. Raw materials were deemed to be acquired by the Overseas Business from Benywave Technology at cost. The balance represents the unsettled amounts for purchases for raw materials used by the Overseas Business with respective value added tax between the external suppliers and Benywave Technology.

Accruals and other payables mainly represented staff salaries payable and freight cost payables which were recorded in separate ledger accounts and can be specifically identified.

Deposits received from customers arisen from the sales to Overseas Business customers and can be specifically identified.

Provision

Provision for warranty in respect of the Overseas Business was made and calculated with reference to the customers for Overseas Business and can be specifically identified.

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Cash and bank balances

There was no designated bank accounts maintained by Benywave Technology for Overseas Business and accordingly, no cash and bank balances were recorded in the financial statements of the Group as at 31 December 2012 and 2013. Prior to the completion of the Split, bank and cash generated by the Overseas Business were maintained in the same bank account of those of the PRC Business of Benywave Technology. After the completion of the Split, and the Group opened its own bank accounts and maintains its own bank balances.

Consolidated statement of cash flows

Benywave Wireless was a business unit of Benywave Technology throughout the Track Record Periods until the Split is consummated in July 2014. During the Pre-split Period and up to 31 August 2014, net cash-flows generated by and the retained profit of the Overseas Business were maintained in the same bank account of those of the PRC Business of Benywave Technology. Accordingly, the funds provided for or withdrawn from Benywave Technology were presented as movements in the equity while there are no cash and cash equivalents balance for the Overseas Business. Accordingly, there were no cash received/paid directly by the Group in connection with its operating, investing and financing activities. After the completion of the Split, the Group successfully opened its own bank account in August 2014, the Group had cash and cash equivalents of RMB10.4 million in its own bank account as at 31 December 2014.

Share capital

No share capital information is presented as at 31 December 2012 and 2013 because the Company was not yet established at the end of these reporting periods. The share capital of the Company and Benywave Wireless as at 31 December 2014 is HK\$10 and RMB100,000,000, respectively.

Basis of preparation of the Track Record Period after 31 August 2014

After 31 August 2014, all of the allocation of expenses shared between the Overseas Business and the PRC Businesses has ceased and our Group incurred its own income and expenses which were recorded directly in its own financial statements. Instead of recording the assets and liabilities attributable to the Overseas Business during the Pre-split Period up to 31 August 2014, our Group recorded its own assets and liabilities in its financial statements after 31 August 2014.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, the most significant of which are set out below:

Market demand for our products

We provide mobile handsets on ODM basis to our customers in overseas markets. The demand for our products is affected by the level of business activity of our major customers, which is jointly influenced by the level of economic activity in the telecommunication industry and countries where they operate. A decline in the telecommunication industry or an economic downturn in the country that our clients reside could adversely affect the performance of our clients and the demand of our products in turn.

Cost of raw materials

Our cost of raw material incurred in our cost of sales represented approximately 92.1%, 93.6% and 90.9% of our cost of sales during each of the three years ended 31 December 2014. Our major raw materials used for our products includes various electronic components including display modules, OGS touch panels, camera modules and mobile chipsets, etc.

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According to the Frost & Sullivan Report, the prices of the raw materials were generally in a decreasing trend or remained stable from 2012 to 2014. During the Track Record Period, we have not experienced any substantial fluctuation of price in sourcing core materials and components.

For demonstration purpose, the following sensitivity analysis illustrates the impact of hypothetical fluctuations of our cost of raw materials from our cost of sales on our profit before tax during the Track Record Period. Fluctuations in our cost of materials from our cost of sales are assumed to be 5% and 10%.

Hypothetical fluctuations	For the three years ended 31 December	
	+/-5% <i>RMB'000</i>	+/-10% <i>RMB'000</i>
Increase/decrease in the cost of raw materials		
Year ended 31 December 2012	+/-26,898	+/-53,796
Year ended 31 December 2013	+/-57,134	+/-114,268
Year ended 31 December 2014	+/-75,254	+/-150,507
Increase/decrease in profit before income tax		
Year ended 31 December 2012	-/+26,898	-/+53,796
Year ended 31 December 2013	-/+57,134	-/+114,268
Year ended 31 December 2014	-/+75,254	-/+150,507

For each of the three years ended 31 December 2014, our gross profit amounted to approximately RMB79.5 million, RMB148.2 million and RMB260.2 million, respectively. For illustrative purpose, we would have recorded a breakeven in our gross profit if the cost of our raw materials increased by approximately 14.8%, 13.0% and 17.3% respectively from the corresponding period while our revenue maintains at the same amount.

Technology change

We operate in the mobile handset industry characterized by rapid technological changes and any delay by us in rolling out new and competitive mobile handsets will reduce our revenue. The mobile handset industry is characterized by rapid technological developments, frequent new product introductions and ever-changing industry and regulatory standards. Future technological developments in the mobile handset and mobile telecommunication industries may reduce or inhibit the market acceptance of our existing and future mobile handsets.

Our success depends substantially on our ability to enhance our technologies and develop and introduce new handsets which anticipates changing market needs and technologies. We have incurred and will continue to incur significant costs to research and develop new handsets and enhancements.

Although we have not experienced any delays in rolling out new mobile handsets in the past, we cannot assure that delay in rolling out new mobile handsets will not happen in the future. If we fail to roll out new handsets or enhancements to existing handsets promptly, our revenue will drop.

Our competitors may from time to time launch new mobile handsets with innovative features which may replace or shorten our handset life cycles and end-users may delay their decision to buy our handsets. As a result, we will need to increase our investment in research and development of new handsets and enhancement but we may not have sufficient resources for such investment. Even if we continue to develop new handsets and enhancement, we cannot ensure market acceptability as this depends on various factors and some of which may be beyond our anticipation or control.

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Changes in customer base

Our revenue is affected by our customer base. Our top five customers accounted for approximately 68.9%, 61.0% and 61.1% of our Group's total revenue for the three years ended 31 December 2014, respectively. Our sales is dependent on the orders from our top five customers which are top mobile handset suppliers and telecommunication operators in India, Thailand, Philippines, France, Taiwan, Hong Kong and many other overseas countries. If any one or more of these top customers substantially reduce their orders with us or our product price decreases, there is no assurance that we will be able to make up for the reduction in business by securing orders of similar volumes or at all from other customers and our profitability may drop. As different customers require different products, changes in our customers profile will continue to affect the relative contribution of our Group's different types of products to our revenue and gross profit.

The fluctuations in foreign exchange rates

After the Split, our principal revenue is denominated in US dollars and our expenditures mainly involve US dollars and RMB as we purchase our components from our suppliers. We are therefore exposed to foreign exchange rate risk. Our profit margins will be negatively affected when we are unable to pass any appreciation of the RMB against the US dollars to our customers by raising the selling price of our products in US dollars. Any significant fluctuations in the exchange rates between RMB and US dollars may adversely affect our results of operations. In addition, we are exposed to the risks associated with the currency conversion and exchange rate system in the PRC. Please refer to the subsection headed "Risk Factors — Our revenue is predominately in US dollar and fluctuation in the US dollar and RMB may expose us to foreign currency risk, while the fluctuations in the US dollar and foreign currency of our key markets may adversely affect our business" in this prospectus.

Income taxes

Our principal subsidiary Benywave Wireless is a company split from Benywave Technology which engaged in both PRC Business and Overseas Business during the Pre-split Period. The standard statutory enterprise income tax rate under the PRC tax laws is 25%, whereas the relevant applicable tax rate for Benywave Technology is 15% as it has been recognised as a high technology enterprise. Given the PRC Business is less profitable than the Overseas Business and Benywave Technology recorded tax loss during the Pre-split Period according to its financial statements and its tax filings made in accordance with the relevant PRC laws, Benywave Technology was hence not required to pay taxes during the Pre-split Period.

Notwithstanding the foregoing, given Benywave Wireless which assumes the Overseas Business recorded net profit before tax at approximately RMB42.1 million, RMB97.5 million and RMB193.7 million for each of the three years ended 31 December 2014 (based on its audited accounts prepared base on IFRS), an enterprise income tax rate of 15% has been provided for in the financial statements of Benywave Wireless during the Pre-split Period and 25% has been provided for in the financial statements of Benywave Wireless after the Split, and resulted in profit after tax in the amount of RMB35.8 million, RMB82.9 million and RMB156.2 million, respectively.

After the Split, Benywave Wireless only engages in Overseas Business and becomes the principal subsidiary of our Group and it is subject to standard statutory enterprise income tax at a rate of 25% unless certain exemptions for high technology enterprises are granted which would lower the applicable tax rate to 15%. As a newly set up entity, Benywave Wireless can only apply to become a "New and High Technology Enterprise" after one year of operations and hence before obtaining such qualification, its applicable enterprise income tax rate would be 25%. For the investors reference, assuming Benywave Wireless was subject to 25% of income tax for each of the three years ended 31 December 2014, its net profit after tax would be amounted to approximately RMB31.6 million, RMB73.1 million and RMB140.5 million during the relevant periods respectively.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our Group's financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider: (i) our selection of critical accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our Group's financial statements. Our significant accounting policies, estimates and judgements, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Note 2 and Note 4 to our consolidated financial statements included in the Accountants' Report in Appendix I to this prospectus.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

When no internally-generated intangible asset can be recognised development, expenditure is recognised in profit or loss in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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Allowance for inventories

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgment and estimates on the conditions and usefulness of the inventories. Where the expectation is different from the original estimate, such difference will impact carrying value of inventories in the year in which such estimate has been changed.

At 31 December 2012, 2013 and 2014, the carrying amounts of inventories are approximately RMB13.4 million, RMB69.4 million and RMB123.5 million, respectively (net of write down of inventories of approximately RMB2.7 million, RMB3.0 million and RMB2.5 million, respectively).

Provision for warranties

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

When a provision is measured using the cash flows estimated to settle the present value of those cash flows (where the effect of time value of money is material).

Provisions for the expected cost of warranty obligations under the relevant sales of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Provision for warranty is measured at the management's best estimate of the Group's liability under one year warranty period granted on mobile telecommunication devices at the end of each reporting period. Estimated costs related to warranty are accrued at the time of sales based on historical record and adjusted as required to reflect actual costs incurred, as information becomes available.

At 31 December 2012, 2013 and 2014, the carrying amounts of provision for warranty are approximately RMB8.6 million, RMB12.5 million and RMB23.3 million, respectively.

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RESULTS OF OPERATIONS

The following table summarises the consolidated statement of profit or loss and other comprehensive income data from the Financial Statements during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this prospectus.

	Year Ended 31 December					
	2012		2013		2014	
	Amount	Percentage of Total Revenue	Amount	Percentage of Total Revenue	Amount	Percentage of Total Revenue
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Revenue	663,579	100.0	1,368,897	100.0	1,916,183	100.0
Cost of sales	<u>(584,080)</u>	<u>(88.0)</u>	<u>(1,220,676)</u>	<u>(89.2)</u>	<u>(1,655,949)</u>	<u>(86.4)</u>
Gross profit	79,499	12.0	148,221	10.8	260,234	13.6
Other gains and losses	(1,009)	(0.2)	(3,139)	(0.2)	(2,235)	(0.1)
Research and development costs	(13,122)	(2.0)	(16,397)	(1.2)	(22,047)	(1.1)
Selling and distribution expenses	(14,196)	(2.1)	(17,858)	(1.3)	(22,847)	(1.2)
Administrative expenses	(9,074)	(1.3)	(13,298)	(0.9)	(6,901)	(0.4)
Listing expenses	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(12,544)</u>	<u>(0.6)</u>
Profit before tax	42,098	6.4	97,529	7.2	193,660	10.2
Income tax expense	<u>(6,339)</u>	<u>(1.0)</u>	<u>(14,656)</u>	<u>(1.1)</u>	<u>(37,435)</u>	<u>(2.0)</u>
Profit and total comprehensive income for the year attributable to equity holders of the Company	<u>35,759</u>	<u>5.4</u>	<u>82,873</u>	<u>6.1</u>	<u>156,225</u>	<u>8.2</u>

DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Our revenue mainly represents gross sales generated from the sales of mobile phone products. We recorded approximately RMB663.6 million, RMB1,368.9 million and RMB1,916.2 million for each of the three years ended 31 December 2014, respectively, representing a CAGR of approximately 69.9%.

Our main products include smartphone and feature phone. Since 2013, at the request by our customers, we sold certain component pack of smartphones (semi knock-down (SKDs) for mobile handsets which include hardware components such as display modules, camera modules, audio, sensors, etc.) that are ready to be assembled and packaged by our customer(s) after being imported to their country(ies). Our customers also purchase mobile device components from us for use in their after sale services provided to the end users.

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Our sales of feature phone accounted for approximately 53.0% of our sales in the year ended 31 December 2012. As we started to change our product mix to focus on smartphone in 2012, over 99% of our revenue was derived from the sales of smartphone and smartphone components for the year ended 31 December 2013 and 2014. There were no sales recorded for smartphone components in 2012 as we started to sell components from February 2013. Our sale of mobile device components only constitutes a tiny portion of our revenues, which was approximately 0.1%, 0.1% and 0.1% of our revenue for the three years ended 31 December 2014, respectively.

The following table sets forth, for the periods indicated, the breakdown of our revenue by product type:

	For the years ended 31 December					
	2012		2013		2014	
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Smartphones	311,735	46.9	1,242,092	90.7	1,717,971	89.7
Feature phones	351,489	53.0	4,780	0.3	–	–
Smartphone component packs	–	–	121,528	8.9	196,277	10.2
Mobile device components	<u>355</u>	<u>0.1</u>	<u>497</u>	<u>0.1</u>	<u>1,935</u>	<u>0.1</u>
Total	<u>663,579</u>	<u>100.0</u>	<u>1,368,897</u>	<u>100.0</u>	<u>1,916,183</u>	<u>100.0</u>

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

The following table sets forth, for the periods indicated, the breakdown of our sales volume and average selling price by product type:

	For the years ended 31 December					
	2012		2013		2014	
	Sales Volume	Average selling price	Sales Volume	Average selling price	Sales Volume	Average selling price
	<i>'000 units</i>	<i>RMB</i>	<i>'000 units</i>	<i>RMB</i>	<i>'000 units</i>	<i>RMB</i>
Smartphones	634	492	2,185	568	3,362	511
Feature phones	2,576	136	46	104	–	–
Smartphone component packs	–	–	322	377	408	481
Mobile device components	<u>2</u>	<u>178</u>	<u>2</u>	<u>249</u>	<u>126</u>	<u>15</u>
Total	<u>3,212</u>	<u>207</u>	<u>2,555</u>	<u>536</u>	<u>3,896</u>	<u>492</u>

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Below is the breakdown of our sales by mobile communication standards during the Track Record Period:

	For the year ended 31 December											
	2012				2013				2014			
	Percentage of total Revenue		Average Sales selling price		Percentage of total Revenue		Average Sales selling price		Percentage of total Revenue		Average Sales selling price	
	RMB'000	%	Volume '000 units	RMB	RMB'000	%	Volume '000 units	RMB	RMB'000	%	Volume '000 units	RMB
2G	351,489	53.0	2,576	136	4,780	0.3	46	104	–	–	–	–
3G	311,735	46.9	634	492	1,363,620	99.6	2,507	544	1,152,263	60.1	2,658	434
4G	–	–	–	–	–	–	–	–	761,985	39.8	1,112	685
Others	355	0.1	2	178	497	0.1	2	249	1,935	0.1	126	15
Total	663,579	100.0	3,212	207	1,368,897	100.0	2,555	536	1,916,183	100.0	3,896	492

Note: Sales for 3G mobile communication standard includes both smartphones sales and smartphone components packs sales.

The following table sets forth the breakdown of our revenue by geographical regions for the periods indicated:

Countries/ Territories	For the year ended 31 December					
	2012		2013		2014	
	Percentage of total revenue		Percentage of total revenue		Percentage of total revenue	
	Revenue RMB'000	%	Revenue RMB'000	%	Revenue RMB'000	%
South Asia	441,716	66.6	356,055	26.0	183,008	9.5
Southeast Asia	117,585	17.7	357,607	26.1	93,727	4.9
Hong Kong	16,659	2.5	827	0.1	500,331	26.1
Other parts of Asia	59,083	8.9	230,013	16.8	174,961	9.1
Europe	1,340	0.2	234,640	17.1	259,877	13.6
South America	7,188	1.1	124,787	9.1	203,920	10.6
North America	4,628	0.7	64,968	4.8	424,465	22.2
Africa	15,380	2.3	–	–	75,894	4.0
Total	663,579	100.0	1,368,897	100.0	1,916,183	100.0

Notes:

- (1) South Asia includes India and Bangladesh.
- (2) Southeast Asia includes Philippines, Thailand, Vietnam, Malaysia and Indonesia.
- (3) Sales to Hong Kong mainly comprised of sales to certain mobile trading companies incorporated in Hong Kong who sell branded mobile handsets to various countries including but not limited to Philippines, Vietnam, Thailand, Malaysia, India, Indonesia, Korea and Pakistan.
- (4) Other parts of Asia includes Taiwan, Yemen, Pakistan, Dubai, Israel, Nepal, Sri Lanka and Turkey.
- (5) Europe includes France, Romania, Spain, Russia, Portugal and Italy.
- (6) South America includes Brazil, Chile and Venezuela.
- (7) North America includes USA, Mexico and Honduras.
- (8) Africa includes South Africa, Algeria and Morocco.
- (9) During the Track Record Period, approximately 2.2%, 9.8% and 7.8% of the total revenue is attributed to those of Sanctioned Countries and Russia (where certain Sanctioned Persons are located).

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In 2011, our revenue was mainly derived from the sales of feature phones to South Asia. We launched smartphones in late 2011 and started to change our focus from feature phones to smartphones which were expected to attract higher profit margin than feature phones. We strived to increase our sales of smartphone in South Asia (i.e. India) and Southeast Asia in 2012 and subsequently diversified to Europe and South America in 2013. For the year ended 31 December 2014, we have further increased our sales to North America, South America and Africa as a result of increase in demand of 3G smartphones as well as the launch of our 4G smartphones and we strategically diversified our market into these regions to expand our customer base.

The aggregate sales amount attributable to Asia (including South Asia, Southeast Asia, Hong Kong and other parts of Asia) remained stable for the years ended 31 December 2013 and 2014 which amounted to approximately RMB944.5 million and RMB952.0 million respectively. However, there were significant changes in sales by geographical segments within Asia. Sales to Hong Kong increased significantly from approximately RMB0.8 million for the year ended 31 December 2013 to approximately RMB500.3 million for the year ended 31 December 2014, whereas sales to South Asia and Southeast Asia have decreased significantly by approximately 48.6% and 73.8% for the year ended 31 December 2014 as compared to the same period in 2013. This was primarily due to our increase in sales to mobile handset trading companies in Hong Kong which in turn sell such products to various countries, primarily Southeast Asia (including, among others, Thailand and Vietnam).

Our Group has adopted temporary measures of diverting our sales to customers in Hong Kong from Southeast Asia due to certain specific considerations in 2014. Such decision was in response to the anti-China protests and riots in Vietnam in May 2014 and to various political events in Thailand during 2014. We reduced direct sales to these countries to minimize our risk of potential delay or default in payments. Instead, we increased sales to mobile handset trading companies in Hong Kong which, based on our previous industry experience, are reliable and with good reputation in having extensive sales network in Southeast Asian countries. Such decision was intended to maintain our market share and positioning in Southeast Asia while minimizing our credit risk exposure.

The decrease in sales made to South Asia was primarily due to feature phones being more common than smartphones in countries like India and Bangladesh, while we have changed our product offerings to 3G and 4G smartphones but the sales of our 4G smartphones in South Asia has yet to reach a significant volume. We, however, expect our revenue contribution from South Asia will increase in 2015 following the further establishment of 4G mobile network infrastructure in more cities in India by the second half of 2014. Following our successful expansion of customer base and commencement of business relationship in 2014 with a new customer in India in 2014 being a leading local telecommunication operator, we expect our sales volume in India will increase in 2015 and South Asia will remain to be one of our key markets.

Other than the above, the increase in revenue generated from Hong Kong was also mainly attributable to a long-term customer (an Independent Third Party), being a well-established mobile handset supplier (since 2014 together with an unlimited company under common control of the shareholders of this Hong Kong customer), who supplies its own branded mobile handsets and trades mobile handsets of various third party brands to primarily Southeast Asian countries, east Europe and Dubai area, in which this Hong Kong customer has a well penetrated distribution network. The relevant Hong Kong customer is also an authorised dealer of a global branded mobile handset supplier in Hong Kong. We produce and supply mobile handsets to this Hong Kong customer on an ODM basis for its own brand from time to time. In 2014, our Group launched certain new products including 4G and 3G smartphones with certain newly introduced mobile chips which were well received by our customers and for the year ended 31 December 2014, our Group has recorded total sales of RMB907.7 million to approximately 20 customers for the sales of smartphones produced with the said two mobile chips. As a result of the expected popularity of these new products, some of our customers made bulk orders and planned to launch these products in 2014 as their flagship models at high prices. However, as some

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of our customers' end markets, including India, Philippines, France, South America and Bangladesh, had slower adaptation to these new products (at the pricing level) as our customers expected. For better inventory management and maintaining good faith relationship with our customers, after negotiation and with prior consents from our relevant customers, we have sold the slower inventory products to the relevant Hong Kong customer at normal commercial terms. Such sales to the Hong Kong customer amounted to approximately RMB218.2 million (representing approximately 11.4% of the total revenue for 2014) and all the sales proceeds were collected as at 31 December 2014. Apart from such sales of third party brand mobile handsets, we have also produced and supplied products to the Hong Kong customer on an ODM basis for its own brand products amounted to approximately RMB148.2 million (representing approximately 7.7% of the total revenue for 2014).

Cost of sales

Our cost of sales comprises mainly raw materials, subcontracting costs, write-down of inventories, warranty and others. Raw materials are our main cost of sales, accounting for approximately 92.1%, 93.6% and 90.9% of our total cost of sales for each of the three years ended 31 December 2014, respectively, which mainly include purchase costs for display modules, OGS touch panels, mobile chipsets and camera modules. Subcontracting costs mainly represent fees paid to our EMS providers who are directly involved in the processing and assembling of our products. Write-down of inventories were recognized for inventories of which net realisable value fall below the cost. Warranty represents the net effect of provision for repair services for the current period and the reversal of provision made in the previous period as those underlying products pass the one-year warranty period. Others include mould cost and royalties.

The following table sets forth, for the periods indicated, a breakdown of our cost of sales by nature:

	For the year ended 31 December					
	2012		2013		2014	
	Amount <i>RMB'000</i>	Percentage of Cost of Sale %	Amount <i>RMB'000</i>	Percentage of Cost of Sale %	Amount <i>RMB'000</i>	Percentage of Cost of Sale %
Raw materials	537,960	92.1	1,142,684	93.6	1,505,073	90.9
Subcontracting costs	42,247	7.2	50,292	4.1	92,625	5.6
Write down of inventories	2,675	0.5	2,960	0.3	2,472	0.1
Warranty	(4,796)	(0.8)	3,874	0.3	10,854	0.7
Others	5,994	1.0	20,866	1.7	44,925	2.7
Total	<u>584,080</u>	<u>100.0</u>	<u>1,220,676</u>	<u>100.0</u>	<u>1,655,949</u>	<u>100.0</u>

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The following table sets forth, for the periods indicated, a breakdown of our cost of sales by product types:

	For the year ended 31 December					
	2012		2013		2014	
	Amount	Percentage of Cost of Sale	Amount	Percentage of Cost of Sale	Amount	Percentage of Cost of Sale
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Smartphones	273,665	46.9	1,113,526	91.2	1,481,605	89.5
Feature phones	310,168	53.1	4,403	0.4	–	–
Smartphone component packs	–	–	102,369	8.4	172,549	10.4
Mobile device components	<u>247</u>	<u>0.0</u>	<u>378</u>	<u>0.0</u>	<u>1,795</u>	<u>0.1</u>
Total	<u>584,080</u>	<u>100.0</u>	<u>1,220,676</u>	<u>100.0</u>	<u>1,655,949</u>	<u>100.0</u>

Gross profit and gross profit margin

For each of three years ended 31 December 2014, our gross profit amounted approximately RMB79.5 million, RMB148.2 million and RMB260.2 million, respectively, and our overall gross profit margin was approximately 12.0%, 10.8% and 13.6%, respectively. Our gross profit margin depends on a combination of factors, including the sales volume of our products, the prices at which we charge for our products, the cost of raw materials as well as subcontracting fees. Our smartphones recorded generally higher gross profit margin than our feature phones during the Track Record Period. The following tables set out our Group's gross profit and gross profit margin for by product types during the Track Record Period:

	For the year ended 31 December					
	2012		2013		2014	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Smartphones	38,070	12.2	128,566	10.4	236,366	13.8
Feature phones	41,321	11.8	377	7.9	–	–
Smartphone components packs	–	–	19,159	15.8	23,728	12.1
Mobile device components	<u>108</u>	<u>30.4</u>	<u>119</u>	<u>23.9</u>	<u>140</u>	<u>7.2</u>
Total	<u>79,499</u>	<u>12.0</u>	<u>148,221</u>	<u>10.8</u>	<u>260,234</u>	<u>13.6</u>

Other gains and losses

Other gains and losses represent the net foreign exchange losses. We recorded losses of approximately RMB1.0 million, RMB3.1 million and RMB2.2 million for each of the three years ended 31 December 2014, respectively.

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Research and development costs

Research and development costs primarily comprise staff cost, product testing cost, service fee, rental expenses and others. Staff costs related to employee benefits to our R&D staff. Product testing costs mainly comprise expenses for performing the relevant functionality and feasibility tests of our new designs. Service fee were paid to professional information technology service provider to support the R&D team when extra manning resource for R&D is needed. Rental expenses were incurred for office space occupied and machines used by our R&D team. Others related to miscellaneous expenses incurred by R&D department.

The following table sets forth a breakdown of our research and development costs for the periods indicated:

	For the year ended 31 December					
	2012		2013		2014	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Staff costs	10,715	81.7	13,153	80.2	14,874	67.5
Product test costs	263	2.0	1,471	9.0	3,422	15.5
Service fees	1,211	9.2	743	4.5	2,263	10.3
Rental expenses	639	4.9	587	3.6	659	3.0
Others	294	2.2	443	2.7	829	3.7
Total	<u>13,122</u>	<u>100.0</u>	<u>16,397</u>	<u>100.0</u>	<u>22,047</u>	<u>100.0</u>

Research and development costs amounted to approximately RMB13.1 million, RMB16.4 million and RMB22.0 million for the three years ended 31 December 2014, respectively, which accounted for approximately 2.0%, 1.2% and 1.1% of total revenue during the corresponding periods.

Selling and distribution expenses

Below is the breakdown of our selling and distribution expenses for the periods indicated:

	For the year ended 31 December					
	2012		2013		2014	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Staff costs	5,430	38.3	5,840	32.7	6,326	27.7
Freight charges	5,373	37.9	7,470	41.8	7,945	34.8
Office expenses	2,015	14.2	1,782	10.0	1,951	8.5
Marketing expenses	78	0.5	942	5.3	5,065	22.2
Testing expenses	924	6.5	483	2.7	60	0.3
Agency fee	–	–	1,041	5.8	1,177	5.1
Others	376	2.6	300	1.7	323	1.4
Total	<u>14,196</u>	<u>100.0</u>	<u>17,858</u>	<u>100.0</u>	<u>22,847</u>	<u>100.0</u>

Our selling expenses consist primarily of staff costs, freight charges, office expenses, marketing expenses, testing expenses, agency fees and others. Staff costs relate to salary payments to sales staff. Freight charges relate to domestic freight fees paid to logistic company we engaged to deliver our products for export. Office expenses relate to office consumables for selling department. Marketing expenses represent expenses

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incurred to promote our products. Testing expenses mainly represent fees collected by the Chinese Government for conducting inspection on export goods. For the five months starting from 1 August 2013, there was a temporary exemption of the fees levied for the inspection of export goods. Such exemption has been extended to 31 December 2014 by Financial Planning Division of the General Administration of Quality Supervision, Inspection, and Quarantine. Agency fees represent fees paid to export agencies in respect of our smartphone component sales. Others relate to depreciation and lease expenses.

Our selling expenses amounted to approximately RMB14.2 million, RMB17.9 million and RMB22.8 million for each of the three years ended 31 December 2014, respectively. As a percentage of total revenue, our selling expenses accounted for approximately 2.1%, 1.3% and 1.2% during the respective periods.

Administrative expenses

Administrative expenses primarily comprise staff costs, stamp duty, handling fees, depreciation, listing fees and others. Staff costs represent the employee benefits paid to administrative staffs. Stamp duty was collected for contracts we signed with our customers. Handling fees were incurred for processing letter of credit and telegraphic transfer we received from our customers. Others relate to miscellaneous expenses incurred by administrative departments.

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	For the year ended 31 December					
	2012		2013		2014	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Staff costs	2,518	27.8	2,376	17.9	3,493	50.6
Stamp duty	240	2.6	516	3.9	583	8.5
Depreciation	872	9.6	727	5.5	396	5.7
Handling fees	2,978	32.8	7,544	56.7	1,036	15.0
Others	<u>2,466</u>	<u>27.2</u>	<u>2,135</u>	<u>16.0</u>	<u>1,393</u>	<u>20.2</u>
Total	<u><u>9,074</u></u>	<u><u>100.0</u></u>	<u><u>13,298</u></u>	<u><u>100.0</u></u>	<u><u>6,901</u></u>	<u><u>100.0</u></u>

Administrative expenses amounted to approximately RMB9.1 million, RMB13.3 million and RMB6.9 million for each of the three years ended 31 December 2014, respectively, which accounted for approximately 1.4%, 1.0% and 0.4% of total revenue during the corresponding periods respectively.

Listing expenses

Listing expenses represent the legal, professional and other fees with respect to the Listing. We recorded Listing expenses of approximately nil, nil and RMB12.5 million for each of the three years ended 31 December 2014, respectively.

Income tax

For our subsidiaries in PRC, statutory enterprise income tax were provided at rates of 15% during the Pre-split Period and 25% after the Split. Our effective income tax rate, calculated as income tax expenses for the period divided by profit before income tax for corresponding period was approximately 15.1%, 15.0% and 19.3% for the three years ended 31 December 2014, respectively.

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REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Year ended 31 December 2014 compared with year ended 31 December 2013

Revenue

Our revenue increased by approximately RMB547.3 million or 40.0% to approximately RMB1,916.2 million for the year ended 31 December 2014 from approximately RMB1,368.9 million for the year ended 31 December 2013, which was primarily due to the launch of our 4G smartphones and the increase in smartphone component pack sales.

Our revenue generated from sale of smartphones increased from approximately RMB1,242.1 million for the year ended 31 December 2013 to approximately RMB1,718.0 million for the year ended 31 December 2014, representing an increase of 38.3%. Such increase was mainly attributable to increased sales generated by our 4G products following the launch of our 4G products at the end of 2013 which attracted revenue of approximately RMB762.0 million and sales volume of 1,112,409 units, mainly sold to North America, Hong Kong and other parts of Asia.

The revenue from our feature phone business decreased to nil for the year ended 31 December 2014 from approximately RMB4.8 million for the year ended 31 December 2013 as we have ceased to offer feature phone in mid 2013.

The revenue from smartphone component packs sales increased by approximately RMB74.8 million from RMB121.5 million for the year ended 31 December 2013 to RMB196.3 million for the year ended 31 December 2014. Such increase was mainly because we only started to sell smartphone component packs from February 2013 which were delivered to our customers in April 2013 and we were only able to attract more purchase orders later in 2014.

Cost of sales

Cost of sales increased by approximately RMB435.2 million or 35.7% to approximately RMB1,655.9 million for the year ended 31 December 2014 from approximately RMB1,220.7 million for the year ended 31 December 2013. Such increase was mainly due to the increase in purchase costs of raw materials of approximately RMB362.4 million from RMB1,142.7 million for the year ended 31 December 2013 to RMB1,505.1 million for the year ended 31 December 2014 as a result of the increased sales volume.

The cost of sales from smartphone business increased by approximately RMB368.1 million from approximately RMB1,113.5 million for the year ended 31 December 2013 to RMB1,481.6 million for the year ended 31 December 2014 as a result of (i) the increased sales volume of smartphones, (ii) the generally higher cost of raw materials of 4G smartphones compared to that of 3G smartphones in 2014 and approximately 33.1% of our total smartphone sales in terms of sales volume were taken by 4G smartphones and (iii) the increase in raw material cost for a portion of 3G chips as a result of the planned chipset newly launched by one supplier were underperformed and replaced by a more expensive one from another supplier to ensure our product quality. Such product cost increased by chipset replacement was an one-off event as we subsequently opted for another type of 3G chips towards the end of 2014 and early 2015.

The cost of sales of our feature phone business decreased to nil for the year ended 31 December 2014 from approximately RMB4.4 million for the year ended 31 December 2013 as we have ceased to offer feature phone in mid 2013.

The cost of sales from smartphone component packs sales increased by approximately RMB70.1 million from RMB102.4 million for the year ended 31 December 2013 to RMB172.5 million for the year ended 31 December in 2014, which is in line with the increase in sales revenue for the same period.

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Gross profit and gross profit margin

As a result of the foregoing, our gross profit rose by approximately RMB112.0 million or 75.6% from approximately RMB148.2 million for the year ended 31 December 2013 to approximately RMB260.2 million for the year ended 31 December 2014. Our gross profit margin increased from 10.8% for the year ended 31 December 2013 to 13.6% for the year ended 31 December 2014. The increase in gross profit margin was mainly due to the increased smartphone gross profit margin contributed by the 4G smartphones.

The gross profit for smartphones increased from approximately RMB128.6 million for the year ended 31 December 2013 to approximately RMB236.4 million for the year ended 31 December 2014, where the gross profit margin increased from approximately 10.4% to 13.8% in the same period. The increase in gross profit was primarily due to the increased sales revenue and volume of smartphones attributable to the newly introduced 4G smartphones. The increase in gross profit margin was primarily attributed to the increased 4G smartphone volume as well as its high gross margin, partially offset by decreasing gross margin of 3G smartphones as a result of general trend of decrease in ASP as well as the increase in raw material cost for a portion of 3G Chips as a result of the paused chip set newly launched by one supplier were underperformed and replaced by a more expensive one from another supplier to ensure our product quality.

No gross profit and gross profit margin were recorded for feature phone business for the year ended 31 December 2014 as no feature phones were sold in 2014. Gross profit and gross profit margin for feature phones for the year ended 31 December 2013 was RMB0.4 million and 7.9%, respectively.

The gross profit for smartphone components packs increased by approximately RMB4.5 million from RMB19.2 million for the year ended 31 December 2013 to RMB23.7 million for the year ended 31 December 2014, which was mainly due to the increase in sales volume. The decrease in gross profit margin for smartphone components packs from 15.8% for the year ended 31 December 2013 to 12.1% for the year ended 31 December 2014 was mainly caused by a discounted price offered to our customers at the year end of 2014 based on our long-term relationship and sales volume.

Other gains and losses

Other losses decreased from approximately RMB3.1 million for the year ended 31 December 2013 to RMB2.2 million for the year ended 31 December 2014. The change was primarily because US dollar generally depreciated against RMB in 2013 while value of US dollar fluctuates against RMB in 2014

Research and development costs

Research and development costs increased by approximately RMB5.6 million or 34.1% to approximately RMB22.0 million for the year ended 31 December 2014 from approximately RMB16.4 million for the year ended 31 December 2013. The increase was primarily due to (i) an increase in product test cost of approximately RMB2.0 million which mainly attributable to the introduction of 4G that involving more tests and higher test costs, (ii) the increase in staff cost of approximately RMB1.7 million as we recruited more staff to support our 4G product development and design and (iii) the increase in service fees of approximately RMB1.5 million due to assigning application development projects to our contracted information technology service providers.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB4.9 million or 27.4% to RMB22.8 million for the year ended 31 December 2014 from RMB17.9 million for the year ended 31 December 2013. The increase was primarily due to an increase in marketing expenses of approximately RMB4.1 million as a result of the gift accessories for promoting our 4G smartphones.

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Administrative expenses

Administrative expenses decreased by approximately RMB6.4 million or 48.1% to approximately RMB6.9 million for the year ended 31 December 2014 from approximately RMB13.3 million for the year ended 31 December 2013. The decrease was primarily due to the decrease of handling fees for telegraphic transfer and letter of credit of approximately RMB6.5 million because of the reduced telegraphic transfer and letter of credit received from customers as a result of the credit terms granted to certain customers which is in line with the increase in trade receivables. Such increase is partially offset by the increase in the staff costs of approximately RMB1.1 million due to (i) the appointment of independent non-executive directors and (ii) our increased staff headcount to support our business split and expansion.

Listing expenses

Listing expenses increased from nil for the year ended 31 December 2013 to approximately RMB12.5 million for the year ended 31 December 2014, which was mainly due to the RMB12.5 million legal, professional and other fees incurred for the Listing were recorded in 2014.

Income tax

Income tax increased by approximately RMB22.7 million or 154.4% to RMB37.4 million for the year ended 31 December 2014 from RMB14.7 million for the year ended 31 December 2013. The increase was mainly due to (i) our increased taxable income because of the enlarged revenue and (ii) the standard statutory enterprise income tax rate of 25% was applied for profit after the Split since the lower applicable tax rate of 15% had not been granted to our PRC subsidiary yet. Our effective income tax rate was approximately 15.0% and 19.3% for the year ended 31 December 2013 and 2014, respectively.

Profit for the year

As a result of the foregoing, profit for the year increased by approximately RMB73.3 million or 88.4% to RMB156.2 million for the year ended 31 December 2014 from approximately RMB82.9 million for the year ended 31 December 2013. Our net profit margin increased from approximately 6.1% for the year ended 31 December 2013 to 8.2% for the year ended 31 December 2014 which was mainly due to higher gross profit margin, which was partially offset by the higher income tax expenses as a percentage of revenue.

Year ended 31 December 2013 compared to year ended 31 December 2012

Revenue

Our revenue increased by approximately RMB705.3 million or 106.3% to approximately RMB1,368.9 million for the year ended 31 December 2013 from approximately RMB663.6 million for the year ended 31 December 2012, which was primarily due to the increase in sales of smartphone after our decision to transform our product mix to focus on smartphones in 2012 and our sales volume of smartphone continued to grow in the year ended 31 December 2013, which together with the smartphone components accounted for 99.6% of our revenue as compared to 46.9% for the year ended 31 December 2012.

Our revenue generated from sale of smartphones increased from approximately RMB311.7 million in 2012 to 1,242.1 million in 2013, representing an substantial increase of 298.5%. Such increase was mainly because (i) the increase the popularity of smartphone amongst our customers as the emerging markets start to adopt the 3G mobile technology which resulted in a significant increase in our sales volume from 634,226 for the year ended 31 December 2012 to 2,184,835 for the year ended 31 December 2013; and (ii) the increase in average selling price from RMB492 per unit for the year ended 31 December 2012 to RMB568 per unit for the

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year ended 31 December 2013 of our smartphones as a result of improve of product design and functionality. We have also successfully expanded our customer base and sales volume to certain new markets such as Europe and South America by offering smartphones.

The revenue from our feature phone business decreased by 98.6% from RMB351.5 million for the year ended 31 December 2012 to RMB4.8 million for the year ended 31 December 2013. The decrease in revenue was mainly due to the strategic change of our product mix. We started to reduce the production of feature phones after 2012 to embrace the industrial renovation by introducing smartphones to our customers. The sales volume of feature phones dropped from 2,575,593 for the year ended 31 December 2012 to 46,050 for the year ended 31 December 2013. The average selling price for our feature phones also decreased from RMB136 to RMB104 for the same period as we were cleaning out our remaining inventories or fulfilling our remaining orders in the year ended 31 December 2013.

The revenue from smartphone component packs sales was approximately RMB121.5 million for the year ended 31 December 2013, and no sales were recorded for the year ended 31 December 2012. We established relationship with our customer in regions where importation of finished electronic devices attracts much higher taxes than those of components and started offering smartphone components from February 2013 to cater their needs.

Cost of sales

Cost of sales increased by approximately RMB636.6 million or 109.0% to approximately RMB1,220.7 million for the year ended 31 December 2013 from approximately RMB584.1 million for the year ended 31 December 2012. Such increase was mainly due to the increase in purchase costs of raw materials from RMB538.0 million for the year ended 31 December 2012 to RMB1,142.7 million for the year ended 31 December 2013. The substantial increase in purchase costs of raw materials was because (i) the significant increase in our revenue as compared to the year ended 31 December 2012 which resulted in increase of raw material cost and subcontracting fees; (ii) the cost of raw materials we used such as the mobile chips, LCD modules and camera modules for smartphones are generally higher than those for feature phones, and proportion of our sales derived from smartphones have substantially increased, which in turn resulted in substantial increase in cost of sales.

The cost of sales from smartphone business increased significantly by RMB839.8 million from RMB273.7 million for the year ended 31 December 2012 to RMB1,113.5 million for the year ended 31 December 2013 as a result of the increasing sales volume of smartphones.

The cost of sales from feature phone business decreased by RMB305.8 million from RMB310.2 million for the year ended 31 December 2012 to RMB4.4 million for the year ended 31 December 2013 as a result of the decrease in raw material and subcontracting fees incurred for feature phone, which is in line with the decrease of our sales of feature phones.

The cost of sales from smartphone components packs sales increased from nil for the year ended 31 December 2012 to approximately RMB102.4 million for the year ended 31 December 2013, which was in line with the sales of smartphone components for the same period.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit rose by approximately RMB68.7 million or 86.4% from approximately RMB79.5 million for the year ended 31 December 2012 to approximately RMB148.2 million for the year ended 31 December 2013. Our gross profit margin decreased from 12.0% for the year ended 31 December 2012 to 10.8% for the year ended 31 December 2013, which was mainly due to the decline of gross profit margin in both feature phones and smartphone caused by the decrease in average selling price for due to market competition.

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The gross profit for smartphones increased from approximately RMB38.1 million for the year ended 31 December 2012 to approximately RMB128.6 million for the year ended 31 December 2013, where the gross profit margin decreased from 12.2% to 10.4% in the same period. The increase in gross profit was primarily due to the increased sales volume of smartphones. The decrease in gross profit margin was primarily due to (i) the smartphones we supplied for the year ended 31 December 2013 were of better functionality and more advanced technology as compared to those we supplied during the year ended 31 December 2012 and hence involved higher raw material cost; (ii) there was an expansion in our customer base for smartphones in 2013 and the customers became more familiar with the smartphone market, hence we were less able to charge a higher margin as the smartphone market became more competitive in 2013.

The gross profit for feature phones decreased from approximately RMB41.3 million for the year ended 31 December 2012 to approximately RMB0.4 million for the year ended 31 December 2013, and the gross profit margin decreased from 11.8% to 7.9% in the same period. The decrease in gross profit was mainly because we generally ceased offering feature phones in 2013. The decrease in gross profit margin was resulted from cleaning out our residual products.

The gross profit and gross profit margin for smartphone components packs for the year ended 31 December 2013 were RMB19.2 million and 15.8%, respectively. No gross profit and gross profit margin for smartphone components were calculated for the year ended 31 December 2012 as no sales were recorded in that period.

Other gains and losses

Other losses increased by approximately RMB2.1 million to approximately RMB3.1 million for the year ended 31 December 2013 from approximately RMB1.0 million for the year ended 31 December 2012. The increase was mainly due to the depreciation of US dollar value against RMB.

Research and development costs

Research and development costs increased by approximately RMB3.3 million or 25.2% to approximately RMB16.4 million for the year ended 31 December 2013 from approximately RMB13.1 million for the year ended 31 December 2012. The increase was primarily due to (i) the increase in staff costs of RMB2.4 million as a result of recruiting more R&D staff for 3G products development and the increased amount we shared from Benywave Technology attributable to our enlarged sales revenue to the total sales of Benywave Technology and (ii) the increase in product test costs of RMB1.2 million which is in line with the increase in revenue, which was partially offset by the decrease in service fee of approximately RMB0.5 million as a result of our addition in manning resources.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB3.7 million or 26.1% to approximately RMB17.9 million for the year ended 31 December 2013 from approximately RMB14.2 million for the year ended 31 December 2012. The increase was primarily due to (i) the increase in freight charges amounted to approximately RMB2.1 million, which is in line with the increased sales volume since more products were assigned to our carriers to distribute to our customers and (ii) an agency fee of approximately RMB 1.0 million paid to exporter agencies in respective of smartphone component sales started in 2013.

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Administrative expenses

Administrative expenses increased by approximately RMB4.2 million or 46.2% to approximately RMB13.3 million for the year ended 31 December 2013 from approximately RMB9.1 million for the year ended 31 December 2012. The increased was primarily due to the increase in handling fee for letter of credit and telegraphic transfer of approximately RMB4.6 million, which was mainly attributable to the higher bank charges for telegraphic transfer and the increased popularity of telegraphic transfer among our customers.

Income tax

Income tax increased by approximately RMB8.4 million or 133.3% to RMB14.7 million for the year ended 31 December 2013 from RMB6.3 million for the year ended 31 December 2012. The increase was mainly attributable to the increase in taxable income. Our effective income tax rate was approximately 15.1% and 15.0% for the years ended 31 December 2012 and 2013, respectively.

Profit for the year

As a result of the foregoing, profit for the year increased by approximately RMB47.1 million or 131.6% to RMB82.9 million for the year ended 31 December 2013 from approximately RMB35.8 million for the year ended 31 December 2012. Our net profit margin increased from approximately 5.4% for the year ended 31 December 2012 to 6.1% for the year ended 31 December 2013 which was mainly due to the increased sales revenue and sales volume from increase in revenue from our existing markets in southeast Asia and our expansion to new markets such as Europe and South America through marketing our smartphones and smartphone components while the operating expenses increased at a slower pace than that of revenue.

LIQUIDITY AND CAPITAL RESOURCES

Prior to the Split, Overseas Business was operated under Benywave Technology and no separate bank accounts have been maintained by Overseas Business. The treasury and cash disbursement functions of Overseas Business were centrally administrated by Benywave Technology. The bank and cash generated by and the retained profit of the Overseas Business were kept in the bank accounts of Benywave Technology. Accordingly, the funds provided for or withdrawn from Benywave Technology were presented as movements in the equity while there are no cash and cash equivalents balance for the Overseas Business. Accordingly, there were no cash received/paid directly by our Group in connection with its operating, investing and financing activities. After the completion of the Split, we opened our own bank accounts and cash were received/paid directly by our Group. As of 31 December 2014, our material sources of liquidity are bank balances and cash of RMB10.4 million.

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The following table presents selected cash flow data from our consolidated cash flow statements for the years indicated:

	For the year ended 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating cash flows before movements in working capital	33,692	89,451	185,715
Net cash generated from (used in) operating activities	114,506	175,193	(170,100)
Net cash generated from (used in) investing activities	1,893	(155)	(7,866)
Cash generated from financing activity	<u>–</u>	<u>–</u>	<u>4,116</u>
Net cash generated by (used in) the Overseas Business/net increase (decrease) in cash and cash equivalents	116,399	175,038	(173,850)
Net (return to) contribution from Benywave Technology	(116,399)	(175,038)	184,825
Effect of pledged bank deposits	<u>–</u>	<u>–</u>	<u>(535)</u>
Cash and cash equivalents at the end of the year	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>10,440</u></u>

Operating activities

During our Track Record Period, our cash inflow from operating activities was principally from the receipt of sales proceeds for our product sold. Our cash outflow used in operating activities was principally for salary payments and other expenses.

Cash generated from operations reflects our profit, adjusted for (i) the cash flow effects of certain income statement items, including depreciation of equipment, foreign exchange gain and loss, write down of inventories and provision for warranty, and (ii) the effects of changes in our working capital, including changes in inventories, trade and other receivables, trade payables for the purchase of inventories as a result of account treatment, accrual and other payables and deposits received from customers.

For the year ended 31 December 2014, net cash used in operating activities was approximately RMB170.1 million. Our operating cash flow before working capital adjustments was RMB185.7 million. Negative working capital adjustments reflected (i) an increase in trade and other receivables of approximately RMB354.9 million because (a) we granted credit terms to an increasing number of more customers to expand our customer base and to increase our competitiveness and (b) we granted approval to some of our customers an extended credit period on a case-by-case basis at the request of our customers to cater for their needs at the specific time after taking into account of various factors including among others, the length of relationship and historical credit record, (ii) an increase in inventories of approximately RMB56.6 million and (iii) a decrease in deposits received from customers of approximately RMB39.1 million. Such negative adjustments were partially offset by an increase in trade payables of approximately RMB79.6 million.

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For the year ended 31 December 2013, net cash generated from operating activities was approximately RMB175.2 million. Our operating cash flow before working capital adjustments was RMB89.5 million. Working capital adjustments reflected (i) an increase in trade payables of approximately RMB65.8 million and (ii) a decrease in trade and other receivables of approximately RMB55.5 million, which was partially offset by the increase in inventories of approximately RMB59.0 million.

For the year ended 31 December 2012, net cash generated from operating activities was approximately RMB114.5 million. Our operation cash flow before working capital adjustments was approximately RMB33.7 million. Working capital adjustments reflected (i) a decrease in trade and other receivables of approximately RMB67.8 million primarily due to the timing difference to collect payment from customers and some customers using telegraphic transfer instead of letter of credit to settle the payment and (ii) a decrease in inventories of approximately RMB32.5 million, which was partially offset by the decrease in trade payables of approximately RMB44.3 million.

Investing activities

During the Track Record Period, our cash inflow from investing activities was principally proceeds from disposal of equipment and repayment from a sales director. Our cash outflow used in investing activities was attributable to the purchases of equipment and increase in amount due from a fellow subsidiary.

Net cash generated from investing activities for the year ended 31 December 2012 was RMB1.9 million, which was mainly attributable to the repayment of a loan from a sales director. Net cash used in investing activities for the years ended 31 December 2013 was approximately RMB155,000, which was mainly for the purchase of office equipments. Net cash used in investing activities for the year ended 31 December 2014 was approximately RMB7.9 million which was mainly due to the increase in amount due from a fellow subsidiary. Such amounts arose from the centrally administrated treasury and cash disbursement functions and will be settled upon the listing.

Financing activities

During the Track Record Period, our cash inflow from financing activity was the increase in amount due to a related party. Cash generated from financing activity were approximately nil, nil and RMB4.1 million for the year ended 31 December 2012, 2013 and 2014, respectively.

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NET CURRENT ASSETS (LIABILITIES)

The table below sets out our consolidated current assets and current liabilities extracted from the consolidated statements of financial position during the Track Record Period:

	As at 31 December			As at
	2012	2013	2014	30 April
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current Assets				
Inventories	13,423	69,413	123,543	125,668
Trade and other receivables	100,309	45,158	397,843	357,522
Amount due from a fellow subsidiary	–	–	7,860	–
Pledge bank deposits	–	–	535	1,103
Structured deposits	–	–	–	250,000
Cash and bank balances	–	–	10,440	21,004
	<u>–</u>	<u>–</u>	<u>10,440</u>	<u>21,004</u>
Total current assets	<u>113,732</u>	<u>114,571</u>	<u>540,221</u>	<u>755,297</u>
Current Liabilities				
Trade payables	18,837	84,676	164,289	352,320
Accrual and other payables	2,860	7,406	22,626	36,093
Deposits received from customers	35,161	53,937	14,811	14,780
Amount due to a related party	–	–	4,116	–
Tax liabilities	–	–	13,791	15,651
Provision	8,604	12,478	23,332	22,859
	<u>8,604</u>	<u>12,478</u>	<u>23,332</u>	<u>22,859</u>
Total current liabilities	<u>65,462</u>	<u>158,497</u>	<u>242,965</u>	<u>441,703</u>
Net Current assets/(liabilities)	<u>48,270</u>	<u>(43,926)</u>	<u>297,256</u>	<u>313,594</u>

We recorded net current assets of approximately RMB48.3 million, RMB297.3 million and RMB313.6 million as at 31 December 2012 and 2014 and 30 April 2015, respectively. We had net current liabilities of approximately RMB43.9 million as at 31 December 2013.

As of 31 December 2013, we recorded net current liabilities of RMB43.9 million and we have recorded negative equity of RMB43.6 million for the same period but these were not caused by loss making or cash outflow arisen from our operations. The net cash generated by Oversea Business being our principal subsidiary for the year ended 31 December 2013 was RMB175.0 million, as all the transactions of the Overseas Business were settled through the current account maintained with Benywave Technology, and all of such cash inflow were paid to Benywave Technology as the bank and cash generated by the Overseas Business were kept in the bank account of Benywave Technology. Given the retained earnings generated by the Overseas Business forms part of the earnings for Benywave Technology as a single legal entity during the Track Record Period, such retained earnings are regarded as part of the retained earnings of Benywave Technology and therefore treated as special reserve for Benywave Wireless (representing net return to or contribution from equity holders of the Company) but shall be transferred to Benywave Technology in the form of cash at the end of each reporting period. While the relevant amount of cash inflow exceeds the reserve of the Group as at 31 December 2013 and the movement of net return to equity holders of the Company is included in the special reserve as set out in the consolidated statement of changes in equity, this caused a reduction in equity of RMB175.0 million exceeding the reserve of the Group RMB131.4 million and resulted in the negative equity.

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As the net current liability and negative equity is as a result of an accounting treatment for the purpose of the Split, our Directors confirm the Overseas Business and the Group has sufficient working capital prior to and after the completion of the Split, and all the current account balances (including amount due from a fellow subsidiary and amount due to a related party are settled prior to the Listing. We operate independently from Benywave Technology and we are able to fund our operations with our own cash generated from our operations as well as the assets assumed from Benywave Technology upon completion of the Split. Our Directors confirm and the Sole Sponsor concurs based on the cash generated from our operations and the estimated proceeds from the Listing, we will have sufficient working capital for at least 12 months following the date of this prospectus. As the negative equity was merely a result of an accounting treatment which the Directors considered appropriate for the Group, we do not foresee negative equity to occur in the future. However, there can be no assurance that we will not record a net current liability position in the future due to other reasons, including the risk factors disclosed under the section headed “Risk Factors” in this prospectus. If we have net current liabilities in the future, our working capital may be constrained and we may be forced to seek additional external financing, which may not be available at commercially reasonable terms or at all. Any such development could materially and adversely affect our business, results of operations and financial condition.

We changed from a net current asset status of approximately RMB48.3 million as at 31 December 2012 to a net current liability status of approximately RMB43.9 million as at 31 December 2013. The changes was mainly due to: (i) an increase in inventories of approximately RMB56.0 million due to our business expansion, (ii) a decrease in trade and other receivables of approximately RMB55.1 million as the expedited settlement by telegraphic transfer were favoured by our customers and (iii) an increase in trade payables of approximately RMB65.8 million as a result of the increased amount of inventories purchased from Benywave Technology but not yet settled.

We changed from a net current liability status of approximately RMB43.9 million as at 31 December 2013 to a net current asset status of approximately RMB297.3 million as at 31 December 2014. The changes was mainly due to: (i) an increase in trade and other receivables by approximately RMB352.7 million because (a) we granted credit terms to an increasing number of more customers to expand our customer base and to increase our competitiveness and (b) we granted approval to some of our customers an extended credit period on a case-by-case basis at the request of our customers to cater for their needs at the specific time after taking into account of various factors including among others, the length of relationship and historical credit record, (ii) an increase in inventories by approximately RMB54.1 million and (iii) an increase in trade payables by approximately RMB79.6 million as we purchased more raw materials following the increase of our operation scale.

Our Group’s net current assets slightly increased by approximately 5.5% and RMB16.3 million from approximately RMB297.3 million as at 31 December 2014 to approximately RMB313.6 million as at 30 April 2015. Such increase was mainly due to (i) an increase in trade payables of approximately RMB188.0 million primarily because we tended to utilise our credit terms granted by our suppliers for better cash management after the Split and make payments to our suppliers around the expiry date of general credit terms granted by our suppliers of 60 days following the increase in size of the operations for overseas sales (whereas we used to early settle the trade payables to maintain good business relationship with our suppliers); (ii) a decrease in trade and other receivables of RMB40.3 million as a result of our efforts to collect outstanding trade receivables and (iii) an increase in structured deposits of RMB250.0 million as we set aside the increased cash on hand resulting from both the increase in trade payables and the decrease in trade receivables from the aforesaid two reasons and revenue earned during the period, to earn a relatively higher interest rate at periods where we have excess working capital.

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Structured deposit

While there was increase in bank and cash available due to utilisation of our credit terms granted by our suppliers and sales proceeds whereas the first and second quarters are generally the less busy period for our sales and production which requires less working capital on hand for funding our business, for cash management purpose to earn higher interests, we maintained a total principal of RMB250 million as of 30 April 2015 at a principal-protected RMB-denominated structured deposit account in a licensed commercial bank in the PRC with a maturity period of 181 days up to early August 2015. The minimum deposit amount is RMB10 million. The amount of interest on the structured deposit account is linked to the three-month London Interbank Offer Rate (LIBOR). At maturity, we are entitled to receive the principal plus interests. The expected annual interest rate for the structured deposits is indicated at 4.9% to 5.0%, however the actual interest to be received is uncertain until maturity.

The structured deposits shall not be terminated by us or the bank unless according to the term of the relevant agreements or otherwise agreed between the parties. Under these agreed terms, the structured deposits may be early terminated by us forfeiting any interests entitled to earn during the period and at a fee of 2.5% of the principal amount. The structured deposits may be early terminated by the bank if the deposit amount fell below the minimum required sum or there is material fluctuation of the market or any circumstances that might result in the incapability of maintaining the structured deposit account, of which, we shall bear the risk that our deposits remaining at the current account will be accrued with general deposit interest rate.

Given the structured deposits are principal-protected in nature with an upside potential of earning a more attractive return than current saving or fixed deposit rate under the low interest rate trend, our management consider that the structured deposit is in the interest of our Group. We do not enter into structured products unless it is principal guaranteed. The structured deposit was placed after due care and analysis and having considered that the investment principals of which are guaranteed and the sufficiency of our working capital, and upon approval by our chairman. As we plan to launch more products of new models at the end of the second quarter of 2015, our management expect we would need more working capital for our operations in the third and the fourth quarter to meet higher demand of our products, we currently do not intend to renew the structured deposits upon its maturity. For any future new principal guaranteed deposits to be made, our in-house legal is responsible for reviewing the relevant terms (with the assistance of external legal advisers if needed) and our chief finance officer prepares reports on maturity term, interests rate and features of proposed structured deposits and analysis on impact on working capital and cashflow, and submits to the risk management committee who would re-assess the risk involved and for approval.

DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Inventories

The following table sets forth the components of our inventories as of the dates indicated.

	As at 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finished goods	7,612	57,407	16,351
Raw materials	<u>5,811</u>	<u>12,006</u>	<u>107,192</u>
	<u><u>13,423</u></u>	<u><u>69,413</u></u>	<u><u>123,543</u></u>

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Raw materials primarily consist of electrical and electronic components such as mobile chipsets, memory, display modules, OGS panels and others. Finished goods represent mobile phones ready to be sold and smartphone component packs consist of pre-specified mobile phone components ordered by our Brazil customer for their assembling and packaging after the importation of the products to their countries. We adopt stringent inventory control through effective inventory management. We also periodically review our inventory levels for slow moving inventory, obsolescence or declines in market value. Provision is made against when the net realisable value of inventories falls below the cost or any of the inventories is identified obsolete at period end. The amount of inventory provisions made by our Group were approximately RMB2.7 million, RMB3.0 million and RMB2.5 million for each of the three years ended 31 December 2014. We manage our inventory levels principally based on the purchase orders received from our customers.

Our balance of inventories increased by approximately RMB56.0 million or 417.9% from approximately RMB13.4 million as at 31 December 2012 to approximately RMB69.4 million as at 31 December 2013, primarily as a result of increased amount of purchase order towards the year end of 2013 which resulted in more finished goods stored in the warehouse awaits to be shipped. Our balance of inventories increased by approximately RMB54.1 million or 78.0% to approximately RMB123.5 million as at 31 December 2014 mainly attributable to the one-off purchase of all the raw materials ordered by Benywave Technology on behalf of us after the Split.

The following table sets forth the turnover days of our inventories for the periods indicated.

	For the year ended 31 December		
	2012	2013	2014
Average inventory turnover days ⁽¹⁾	19.4	12.4	21.3

Note:

- (1) Average inventory turnover days for each of the three years ended 31 December 2014 is derived by dividing the arithmetic mean of the opening and closing balances of inventories for the relevant period by cost of sales and multiplying by 365 days.

Our average inventory turnover days decreased from 19.4 days in 2012 to 12.4 days in 2013, primarily due to growth of cost of sales was higher than that of inventories during the same period as we maintained relatively low level of inventory on hand. Our average inventory turnover days then increased to 21.3 days in 2014 primarily due to we maintained higher level of inventory on hand following our increase in operation scale, as well as made one off purchase from Benywave Technology for the raw materials it has purchased on behalf of the Overseas Business during the Pre-split Period.

As at the Latest Practicable Date, approximately RMB123.1 million or 99.7% of our inventory balance as of 31 December 2014 were sold or utilized.

Trade and other receivables

Our customers generally settle their purchases by cash payments through telegraphic transfer or up to 90 days letter of credit. We grant credit period to customers where we consider appropriate approved by senior management. The credit term must be approved by both of our sales manager and finance manager before the credit terms were granted. Factors to be taken into account for granting of credit terms include, among others, the size, credit worthiness, business relationship as well as potential business opportunities with our customers. During the Track Record Period, we have granted credit terms from 60 to 90 days credit period to certain customers, in particular for those customers in markets where we would like to expand as a result of negotiation with our customers. Our Group seeks to maintain strict control over outstanding receivables, and overdue balances are reviewed regularly by senior management. We typically do not require any collateral as security.

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Our trade receivables arise from i) the letters of credits we received from our customers which the date of collection from the banks has not yet reached; ii) the uncollected payment from the credit terms we grant to selective customers which the management consider are of good credit profile, approximately 50% of our 44 customers as at 31 December 2014 were granted credit terms, from 60 to 90 days (of which the majority were for 60 days). We have generally increased the granting of credit terms to customers in the year ended 31 December 2014 as we consider it strengthens our competitiveness with our customers.

The following table sets forth the components of our trade and other receivables as of the dates indicated:

	As at 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	44,522	9,452	337,184
Other receivables			
Value added tax receivables	55,625	35,696	55,858
Others	162	10	90
Prepayments to suppliers	–	–	1,226
Listing fee	–	–	<u>3,485</u>
 Total trade and other receivables	 <u>100,309</u>	 <u>45,158</u>	 <u>397,843</u>

Our trade receivables decreased by approximately RMB35.0 million or 78.7% from RMB44.5 million as at 31 December 2012 to approximately RMB9.5 million as at 31 December 2013, which was mainly because customers gradually changed to using telegraphic transfer in stead of letter of credit to settle the payment. The amount increase to approximately RMB337.2 million as at 31 December 2014 primarily because of the increase in credit period of 60 to 90 days offered to some of our customers to establish a long term relationship with them as well as we approved to grant extended credit period to certain of our customers at their request at special circumstances considering our business relationship with them, their credit profile and historical payment record. The maximum credit period extended was up to 360 days involving the sales to a customer in Indonesia amounting to approximately RMB1.4 million in relations to certain batch of smartphones we sold to this customer in 2014. Such customer has been placing other sales orders after the delivery of such batch of smartphones and made payments for its other purchases timely. The outstanding payment was fully settled as at the Latest Practicable Date.

As at 31 December 2014, our trade receivables mainly comprised of trade receivables from a customer in India, a customer in Africa, a customer in USA, a customer in Dubai and a customer in Hong Kong. Of which the trade receivables from the customers in Africa, USA, Dubai and Hong Kong were as a result of our increase in business volume with these customers and were within the credit period as at 31 December 2014.

Our policy for impairment on trade receivables is based on an evaluation of collectability and aging analysis of the receivables that requires the use of judgment and estimates of our management. Provisions would apply to the receivables when there are events or changes in circumstances which indicate that the balances may not be collectable. Our management closely reviews the trade receivables balances and any overdue balances on an ongoing basis, and assessments are made by our management on the collectability of overdue balances. After fully considering the nature of trade receivables and their collectability on a case-by-case basis, we would make provisions for the impairment of certain long overdue trade receivables in order to ensure the quality of our assets. As at 31 December 2012, 2013 and 2014, respectively, no provisions were provided for individually impaired trade receivables.

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The following table sets forth the aging analysis of our gross trade receivables as at the dates indicated:

	As at 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0-60 days	41,195	6,707	234,514
61-90 days	3,327	1,688	7
91-180 days	–	1,057	96,518
181 days to 1 year	–	–	6,145
	<u>44,522</u>	<u>9,452</u>	<u>337,184</u>

As of 31 December 2012, 2013 and 2014, trade receivables due from external customers of approximately RMB3.3 million, RMB2.7 million and RMB102.7 million, respectively, were past due but not impaired. These related to independent customers for whom there is no significant financial difficulty and based on our experience, our Directors were of the view that no impairment allowance was necessary in respect of these overdue balances as there had not been significant change in credit quality of our customers and the balances were considered fully recoverable.

The trade receivables past due by not impaired as at 31 December 2014 were mainly attributable to the specific circumstance of our customers as below:

Trade receivables amounting to approximately RMB71.3 million, representing approximately 21.2% of the total trade receivables as at 31 December 2014 was attributable to our major customer in India as they have been going through internal re-organization and deferred the payments for a particular lot of our products delivered for orders placed by one of their key management that has subsequently left their firm. This customer has then requested us to provide extension to their payment date in resolving their internal procedures. In order to maintain good relationship with this customer, we agreed to extend their payment date primarily taking into account of our long term relationship for over 6 years and their good standing historical credit record. As at 31 December 2014, trade receivables amounting to approximately RMB60.3 million were past due but not impaired, representing approximately 58.7% of the total trade receivables past due but not impaired due to the above said reason. As of the Latest Practicable Date, all of the trade receivables from the relevant customer in India had been repaid.

Trade receivables amounting to approximately RMB19.0 million, representing approximately 5.6% of the total trade receivables as at 31 December 2014 was attributable to a customer in Philippines, to the best information of the Directors, this customer had internal changes to the sales personnel who placed an order for a batch of our products, which caused the delay in payment due to the customer's internal process. In order to maintain good relationship with this customer, we agreed to extend their payment date primarily taking into account of our long term relationship for over five years and their good standing historical credit record. As at 31 December 2014, trade receivables amounting to approximately RMB18.8 million was past due but not impaired representing approximately 18.3% of the total trade receivables past due but not impaired due to the above said reason. The customer is expected to settle such outstanding payments within June 2015.

Trade receivables amounting to approximately RMB18.5 million, representing approximately 5.5% of the total trade receivables as at 31 December 2014 was attributable to sales of component packs, all of which was past due but not impaired which represented 18.0% of the total trade receivables past due but not impaired. As at the Latest Practicable Date, all such trade receivables were received.

As at the Latest Practicable Date, approximately RMB327.8 million or 97.23% of our trade receivables outstanding as at 31 December 2014 were settled.

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The table below sets forth a summary of average turnover days of trade receivables as at the dates indicated:

	For the year ended 31 December		
	2012	2013	2014
Average turnover days of trade receivables ⁽¹⁾	<u>51.2</u>	<u>7.2</u>	<u>33.0</u>

Note:

- (1) Average turnover days of trade receivables for each of the three years ended 31 December 2014 is derived by dividing the arithmetic mean of the opening and closing balances of trade receivables for the relevant period by revenue and multiplying by 365 days.

Our turnover days of trade receivables decreased from 51.2 days in 2012 to 7.2 days in 2013 primarily because of the decreased in trade receivables as some of our customers used telegraph transfer instead of letter of credit. The turnover days of trade receivable then increased to 33.0 days in 2014 mainly attributable to extended credit period offered to certain customers considering its specific circumstances upon their request.

Other receivables mainly comprise value added tax receivables prepayments to supplies, listing fee and others. Value added tax (“VAT”) receivables are VAT we paid that would be refunded by tax authority when we export our products as a preferential tax policy for exportation. Prepayments to suppliers mainly represent insurance premium for our trade receivables. Listing fee represent the amount of listing fees capitalised, which will be set off against the share premium account upon Listing.

Other receivables decreased by approximately RMB20.1 million from RMB55.8 million as at 31 December 2012 to RMB35.7 million as at 31 December 2013, which was mainly due to the decrease in VAT receivables of approximately RMB19.9 million because of only two months (November and December) VAT receivables were under tax authority’s processing in 2013 as compared to the five months’ amounts in 2012. The amount increased by approximately RMB20.2 million from RMB35.7 million as at 31 December 2013 to RMB55.9 million as at 31 December 2014, which was mainly due to the increase in VAT receivables of approximately RMB20.2 million because of three months (October, November and December) VAT receivables were under tax authority’s processing in 2014 as compared to two months’ amounts in 2013.

Trade payables

The placing of purchase orders of raw materials from independent suppliers for PRC Business and Overseas Business was made by Benywave Technology as a single entity during the Pre-Split Period. Prior to the completion of the Split, the purchases from Overseas Business were deemed to be made from Benywave Technology. After the Split, our own sourcing department directly placed order with third-party suppliers and maintained a trade payables account.

The following table set forth the components of our trade payables as of the dates indicated:

	At 31 December		
	2012	2013	2014
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade payables to third parties	–	–	164,289
Trade payable to Benywave Technology	<u>18,837</u>	<u>84,676</u>	<u>–</u>
	<u>18,837</u>	<u>84,676</u>	<u>164,289</u>

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We recorded trade payables of approximately RMB18.8 million, RMB84.7 million and RMB164.3 million as at 31 December 2012, 2013 and 2014, respectively. Trade payables to Benywave Technology as at 31 December 2012 and 2013 represented the inventories purchased from Benywave Technology not yet settled as at the period end calculated based on the gross value of inventories including the 17% VAT at the respective date.

The following is an aged analysis of trade payables based on the invoice date or the recognition date of inventory at the end of the Track Record Period:

	At 31 December		
	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>
Within 90 days	15,965	84,676	163,747
91 to 180 days	<u>2,872</u>	<u>–</u>	<u>542</u>
	<u><u>18,837</u></u>	<u><u>84,676</u></u>	<u><u>164,289</u></u>

As at the Latest Practicable Date, approximately RMB123.4 million or 75.1% of our trade payables outstanding as at 31 December 2014 were settled.

The following table sets out the average turnover days of trade payables for the period indicated:

	For the year ended 31 December		
	2012	2013	2014
Average turnover days of trade payables ⁽¹⁾	<u><u>25.6</u></u>	<u><u>15.5</u></u>	<u><u>27.4</u></u>

Note:

- (1) Average turnover days of trade payables for each of the three years ended 31 December 2014 is derived by dividing the arithmetic mean of the opening and closing balances of trade payables for the relevant period by cost of sales and multiplying by 365 days.

Our average turnover days of trade payables decreased from 25.6 days for the year ended 31 December 2012 to approximately 15.5 days for the year ended 31 December 2013 which was primarily because we enhanced our inventory control management to ensure the finished goods are delivered within a short period of time which resulted in the increase of the average inventory level at a lower pace than the cost of sales. Average turnover days of trade payables then increased to 27.4 days for the year ended 31 December 2014 due to more raw material were kept to meet the increasing demand for our products.

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Accrual and other payables

Accrual and other payables as at 31 December 2012, 2013 and 2014 were approximately RMB2.9 million, RMB7.4 million, and RMB22.6 million, respectively, of which a breakdown is set out below:

	As at 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Payable for premium and freights	914	4,641	3,669
Accrued staff costs	1,946	2,765	3,644
Accrued royalty	–	–	13,210
Others	–	–	2,103
	<u>2,860</u>	<u>7,406</u>	<u>22,626</u>

Our accrual and other payables mainly comprise payables for premium and freights, accrued staff costs, accrued royalty expenses and others.

Accrual and other payables increased by approximately RMB4.5 million from RMB2.9 million as at 31 December 2012 to RMB7.4 million as at 31 December 2013, which is mainly attributable to the increase in payable for premium and freights of approximately RMB3.7 million due to delay in settlement of freights charges. The amount increased by approximately RMB15.2 million from RMB7.4 million as at 31 December 2013 to RMB22.6 million as at 31 December 2014, which is mainly attributable to (i) the increase in accrued royalty of approximately RMB13.2 million we have not yet received invoices from our supplier for certain royalty expenses payable for the year ended 31 December 2014 and (ii) the increase in accrued staff costs of approximately RMB0.9 million as a result of the increase in staff headcount. For details of the background leading to the increased of accrued royalties, please refer to the subsection headed “Business — Intellectual Property Rights — Third Party Licences” in this prospectus.

Deposits received from customers

Deposits received from customers mainly represent approximately 5% to 20% sales deposit (of the estimated contract size) paid to us from our customers at the time of requesting the Group to form a design according to their specifications. These specifications usually include the type of chipset to be used, the size of LCD monitor, size of memory, and the resolution of the camera. It usually takes 45 to 60 days for us to provide and confirm the design with the customer before they place a purchase order with us.

Deposits received from customers were approximately RMB35.2 million, RMB53.9 million and RMB14.8 million as at 31 December 2012, 2013 and 2014, respectively. The amount fluctuated during the Track Record Period mainly because of the timing difference of receiving customers’ purchase order.

Provision

Provision were approximately RMB8.6 million, RMB12.5 million and RMB23.3 million as at 31 December 2012, 2013 and 2014, respectively. The warranty provision represent our managements’ best estimate of our liability under one-year warranty granted on mobile devices, which was generally estimated based on the 2% of our cost of sales for sales transaction with no spare devices provided.

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KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at each of the dates indicated:

	For the year ended 31 December		
	2012	2013	2014
Gross Profit Margin (%) ⁽¹⁾	12.0	10.8	13.6
Net Profit Margin (%) ⁽²⁾	5.4	6.1	8.2
Adjusted return on equity (%) ⁽³⁾	11.9	21.6	28.9
Adjusted return on total assets (%) ⁽⁴⁾	9.7	15.3	19.9
	As at 31 December		
	2012	2013	2014
Adjusted current ratio ⁽⁵⁾	5.6	3.4	3.2
Gearing ratio (%) ⁽⁶⁾	0.0	0.0	0.0

Notes:

- (1) Gross profit margin for each of the three years ended 31 December 2014 was calculated on gross profit divided by turnover for the respective year. Please refer to the subsection headed “Review of Historical Results of Operations” in this section for more details on our gross profit margins.
- (2) Net profit margin for each of the three years ended 31 December 2014 was calculated on net profit attributable to the Shareholder divided by turnover for the respective year. Please refer to the subsection headed “Review of Historical Results of Operations” in this section for more details on our net profit margins.
- (3) Adjusted return on equity for each of the three years ended 31 December 2014 was calculated based on the net profit for the respective period divided by the total equity attributable to the Shareholders as of the respective years and multiplied by 100%. Total equity was adjusted based on total equity of our Group and taking no account of the accumulated funds provided for or withdrawn from Benywave Technology as of the respective years presented in the consolidated statements of change in equity.
- (4) Adjusted return on total asset for each of the three years ended 31 December 2014 was calculated based on the net profit for the respective years divided by the total asset of the respective years and multiplied by 100%. Total asset was adjusted based on the total assets of our Group plus the funds provided for or withdrawn from Benywave Technology for the respective period as presented in the consolidated statements of change in equity.
- (5) Adjusted current ratios as of 31 December 2012 and 2013 and 2014 were calculated based on the total current assets as of the respective dates divided by the total current liabilities as of the respective dates. Total current assets was adjusted based on the total current assets of our Group plus the funds provided for or withdrawn from Benywave Technology for the respective period as presented in the consolidated statements of change in equity.
- (6) Gearing ratios as of 31 December 2012, 2013 and 2014 were calculated based on the total interest-bearing loans of our Group as of the respective dates divided by total equity of our Group as at the respective dates and multiplied by 100%.

Adjusted return on equity

Our return on equity increased for the year ended 31 December 2012, 2013 and 2014 were approximately 11.9%, 21.6% and 28.9%, respectively. The continuous increase during the Track Record Period was mainly attributable to the revenue increased at a faster pace than that of equity accumulation.

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Adjusted return on total assets

Our return on total asset for the years ended 31 December 2012, 2013 and 2014 were approximately 9.7%, 15.3% and 19.9%, respectively. The continuous increase during the Track Record Period was mainly attributable to the ability to maintain an increase in profitability of the Group based on the given level of total asset.

Adjusted current ratio

Our business expansion in 2013 boosted both our current assets and current liabilities, while our relatively small amount of current liabilities in 2012 caused current ratio to decrease from approximately 5.6 as at 31 December 2012 to 3.4 as at 31 December 2013. The current ratio remained stable at 3.4 and 3.2 as at 31 December 2013 and 2014, respectively.

Gearing ratio

Our gearing ratio was all nil as at 31 December 2012, 2013 and 2014 as we do not have any interest-bearing loans at these period end. As at the Latest Practicable Date, our Group did not have any material covenant.

CONTRACTUAL AND CAPITAL COMMITMENTS

During the Track Record Period, we did not have any contractual obligations or capital commitments.

Capital expenditures during the Track Record Period

Our Group's capital expenditures principally consisted of expenditures on acquisitions of equipment in our operations. For the three years ended 31 December 2014, our Group incurred capital expenditures of approximately RMB36,000, RMB155,000 and RMB7,000, respectively. Between 31 December 2014 and the Latest Practicable Date, we did not make any material capital expenditures.

Planned capital expenditure

For the year ended 31 December 2014, we do not have any planned capital expenditure.

Our Group's projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. Please refer to the section headed "Future Plans and Use of Proceeds" of this prospectus for further information.

We expect to fund our contractual commitments and capital expenditures principally through the net proceeds we receive from the Global Offering, cash generated from our operating activities and proceeds from borrowings and notes. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

INDEBTEDNESS

As at 30 April 2015, being the latest practicable date for the purpose of ascertaining information contained in the indebtedness statement prior to the printing of this Prospectus, our Group had no interest-bearing loans. As of 30 April 2015, we had a bank financing facility in the amount of USD3.0 million but we have not utilised any of the limit.

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Contingent liabilities

As at 30 April 2015, being the latest practicable date for the purpose of the indebtedness statement, we did not have any material contingent liabilities or guarantees.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, our Group did not have outstanding at the close of business on 30 April 2015, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees or other material contingent liabilities.

WORKING CAPITAL

Our Directors confirm that, taking into consideration the financial resources presently available to us, our internally generated cashflow, and the estimated net proceeds from the Global Offering, we will have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this prospectus.

Although as of 30 April 2015, we had a bank financing facility in the amount of USD3.0 million, our Directors confirm that the aforesaid working capital sufficiency statement stands without taking into account the utilization of such banking facility.

Save as disclosed in this prospectus, our Directors are not aware of any other factors that would have a material impact on our Group's liquidity. We do not have any material external financing plans. Details of the funds necessary to meet our existing operations and to fund our future plans are set out in the section headed "Future Plans and Use of Proceeds" of this prospectus.

TRANSACTIONS WITH RELATED PARTIES

As of 31 December 2012, 2013 and 2014, amounts due from a fellow subsidiary were approximately nil, nil and RMB7.9 million, respectively. As of December 31, 2012, 2013 and 2014, amount due to a related party were approximately nil, nil and RMB4.1 million, respectively.

With respect to the related party transactions set forth in the Accountants' Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole. All non-trade balances with related parties will be settled before Listing. Our Director are of the view that the related party transactions did not cause any distortion of our results of operations or make our historical results not reflective in the Track Record Period.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to market risks from changes in market rates and prices, such as foreign currency, credit and liquidity.

Foreign currency risk

Our Group undertakes certain operating transactions in foreign currencies, which expose us to foreign currency risk. We do 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.

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The carrying amounts of our foreign currency denominated monetary assets (trade receivables, cash and bank balances) and liabilities (Trade payables and amount due to a related party) at the end of each reporting periods are as follows:

	At 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
USD	44,522	9,452	295,749
HKD	<u>–</u>	<u>–</u>	<u>10</u>

Sensitivity analysis

The following table details our Group's sensitivity to a 5% increase and decrease in RMB against USD and all other various were held constant. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation to RMB at year end for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where RMB weakens 5% against the USD. For a 5% strengthening of RMB against the USD, there would be an equal and opposite impact on the profit for the year, and the amounts below would be negative.

	At 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	<u>1,892</u>	<u>402</u>	<u>11,091</u>

In our management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Credit risk

Our maximum exposure to credit risk which will cause a financial loss to us due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

We have concentration of credit risk as the total trade receivables were due from our 4, 7 and 10 customers as at 31 December 2012, 2013 and 2014 respectively and the balance of amount due from a fellow subsidiary as at 31 December 2014 is significant. Our management considered that the credit risk of trade receivables and amount due from related parties are insignificant after considering the credit quality and financial ability of these customers and the fellow subsidiary.

We trade with certain individual customers and trading terms are mainly by requesting the customers to place 5%–20% deposit upon receiving purchase orders and arrange letter of credit and make payment through telegraphic transfer to settle the outstanding balance upon delivery. We generally allow a credit period of up to 60 days to selected customers on a case-by-case basis depending on the business relationship with and creditworthiness of the respective customers. We monitor the credit risk on an ongoing basis and credit evaluations are regularly performed. Hence, our management believe that our credit risk is significantly reduced.

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Liquidity risk

Prior to our Reorganisation, we relied on the financial support of the equity holders of Benywave Technology as the Overseas Business was operated by Benywave Technology. Upon the completion of Reorganisation, we manage liquidity risk by maintaining a level of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the impacts of fluctuations in cash flows.

The following tables details our remaining contractual maturity for our non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which we are required to pay.

	On demand or within one month <i>RMB'000</i>	Total undiscounted cash flows <i>RMB'000</i>	Carrying amount <i>RMB'000</i>
<u>As at 31 December 2012</u>			
Financial liabilities			
Other payables	914	914	914
Trade payables to a related party	18,837	18,837	18,837
Total	19,751	19,751	19,751
<u>As at 31 December 2013</u>			
Financial liabilities			
Other payables	4,641	4,641	4,641
Trade payables to a related party	84,676	84,676	84,676
Total	89,317	89,317	89,317
<u>As at 31 December 2014</u>			
Financial liabilities			
Other payables	5,772	5,772	5,772
Trade payables	164,289	164,289	164,289
Amount due to a related party	4,116	4,116	4,116
Total	174,177	174,177	174,177

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, no circumstances would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

PROPERTY INTERESTS

As at the Latest Practicable Date, we did not own any property and all of our places of operations are leased properties. We had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Chapter 5 of Listing Rules to include in this document any valuation report. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions)

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Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

LISTING EXPENSES

We incurred listing expenses of approximately RMB12.5 million for the year ended 31 December 2014 in connection with the Global Offering, which were charged to our profit and loss accounts as expenses. Listing expenses (excluding commission and incentive fees (if any) to be payable to the Underwriters, the SFC transaction levy and the Stock Exchange trading fee) paid or payable by our Company are estimated to be approximately RMB14.7 million for the year ending 31 December 2015 in connection with the Global Offering, of which approximately RMB11.2 million will be charged to our profit and loss accounts as expenses and approximately RMB3.5 million will be capitalised. Our Directors do not expect such expenses to have a material adverse impact on our financial results for the year ending 31 December 2015.

DIVIDEND POLICY

We have not declared any dividend during the Track Record Period.

The recommendation of the payment of dividend is subject to the absolute discretion of our Board, and, after listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders. Our Directors may recommend a payment of dividend in the future after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders.

Future dividend payments will also depend upon the availability of dividends received from our foreign-invested subsidiary in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign-invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our foreign invested subsidiary may also be restricted if it incurs debt or losses or pursuant to any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries and associated companies may enter into in the future.

Any distributable profit that is not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profit is distributed as dividends, such portion of profit will not be available to be reinvested in our operations.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 12 August 2014 and is an investment holding company. There were no reserves for distribution to the Shareholders as of the Latest Practicable Date.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma data relating to our net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering on our net tangible assets as at 31 December 2014 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted net tangible assets of the Group have been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the net

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consolidated tangible assets of the Group, as at 31 December 2014 or any future date following the Global Offering. It is prepared based on the net consolidated tangible assets of the Group attributable to equity holders of the Company as at 31 December 2014 as set out in the consolidated statements of financial position contained in Appendix I to this prospectus, and adjusted as described below.

	Consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2014	Estimated net proceeds from the Global Offering	Pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company	Pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company per share	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>	<i>(Note 4)</i>
Based on Offer Price of HK\$2.22 per Share	<u>297,464</u>	<u>328,495</u>	<u>625,959</u>	<u>0.74</u>	<u>0.93</u>
Based on Offer Price of HK\$3.06 per Share	<u>297,464</u>	<u>458,939</u>	<u>756,403</u>	<u>0.89</u>	<u>1.13</u>

Notes:

1. The consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2014 is extracted from the consolidated statements of financial position set out in Appendix I to this prospectus.
2. The estimated net proceeds to be received by the Company from the Global Offering are based on 204,000,000 shares at the Offer Price of lower limit and upper limit of HK\$2.22 and HK\$3.06 per share, after deduction of the underwriting commissions and fees and other related fees (excluding approximately RMB12.5 million listing expenses which has charged to profit or loss up to 31 December 2014 paid/payable by the Company) assuming that the Over-allotment Option is not exercised. It does not take into account of any shares (i) which may be issued under Share Option Scheme or RSU Scheme or (ii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company.

For the purpose of the estimated net proceeds from the Global Offering, the amount denominated in HK\$ has been converted in RMB at the rate of HK\$1 to RMB0.7889, which was the rate prevailing on 31 December 2014 as quoted by the PBOC. No representation is made that the HK\$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.

3. The pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per share is arrived at on the basis that 850,000,000 Shares were in issue assuming that the Global Offering and Capitalisation Issue had been completed on 31 December 2014. It does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option, any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme or RSU Scheme, or any Shares which may be issued or repurchased pursuant to our Company's general mandate.
4. The pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company per Share are converted into HK\$ at an exchange rate of RMB0.7889 to HK\$1, which was the prevailing rate on 31 December 2014 as quoted by PBOC. No representation is made that the RMB amounts have been, could have been or may be converted to HK\$ at that rate or any other rates at all.
5. The pro forma adjusted net tangible assets of the Group attributable to owners of the Company does not take into account the effect of the trading result or other transaction of the Group subsequent to 31 December 2014.

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OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we did not have any material off-balance sheet arrangements or contingencies except as disclosed under the paragraphs headed “Contractual and capital commitments” and “Indebtedness” in this section.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Although the legal process of the Split was completed on 22 July 2014, the Overseas Business and the PRC Business have been separated and delineated from all material respects since 2010, hence the Split was in substance a legal process to reflect the practical state of facts and provide a separate legal for entity for each of the two businesses already delineated and has no material impact on our Group’s operations and financial position.

Our Directors expect our Group to maintain the same cost structure as the cost of sales and selling and distribution expenses of our Group have been recorded separately from the PRC Business during the Pre-split Period up to 31 August 2014 and will continue to be recorded separately after the Split. The total sharing of costs between our Group and the PRC Business accounted for approximately 14.9%, 10.6% and 9.7% of the total operating costs excluding raw materials for our Group for each of the two years ended 31 December 2013 and for the eight months ended 31 August 2014 respectively, such sharing of costs have ceased by 31 August 2014 (shortly after obtaining of the Customs Declaration Certificate (海關報關單位註冊登記證書) by Benywave Wireless) except for the connected transaction as set out in the section headed “Connected Transaction” of this prospectus. Taking into account the proportion of R&D costs and administrative expenses actually incurred after the Split up to 31 December 2014 to our Group’s total revenue during the relevant period, our Directors expect that there would be no material change in the proportion of the R&D costs and the administrative expenses to our total revenue as a result of the Split.

Save as the expected change in the applicable enterprise income tax rate as mentioned in the subsection headed “Risk Factors — We may be subject to higher enterprise income tax and this will reduce our profitability” in this prospectus above, given there has been no material change of the cost structure of our Group after the Split, our Directors expect the operating profit margin of our Group will be maintained at a similar level as those during the Pre-split Period up to 31 August 2014.

Based on our unaudited management accounts, our sales for the four months ended 30 April 2015 remained stable whereas the gross profit and gross profit margin increased as compared to the corresponding period in 2014. This is a net-off effect of the decreases in sales, gross profit and gross profit margin for the two months ended 28 February 2015 as compared to the previous corresponding period, and the gradual pick up performance in subsequent months up to April 2015. The decreases for the two months ended 28 February 2015 were primarily because of (i) the gradual decrease in average selling price of 3G products with the progression of its product life cycle, increase in competition in the 3G product market and upcoming popularity of 4G mobile handsets. In particular, certain 3G smartphone products we sold for the two months ended 28 February 2015 were repeated orders of long aged designs which were sold at low average selling prices; (ii) decrease in sales of our smartphone component packs as the relevant customer which we supplied smartphone component packs during the Track Record Period was acquired by a multinational technology company and as our management foresee potential changes in its mobile business segment on its development plan we have intentionally decreased sales to such customer to avoid any uncertainties arising from its internal restructuring; and (iii) there had been large orders of products delivered in December 2014 rather than in January 2015 which reduced the products delivered and revenue recognized in January 2015 as compared to the previous corresponding period. The overall increases in gross profit and gross profit margin for the four months ended 30 April 2015 as compared to the previously corresponding period was mainly due to the increase in sales of 4G products and the launch of our new 2015 4G smartphone models, which achieved higher gross profit margin than 3G products.

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Up to 30 April 2015, there was no significant increase in costs of sales or other costs subsequent to 31 August 2014 as compared to the Pre-Split Period. Based on our unaudited management accounts, our sales, gross profit and gross profit margin for the eight months ended 30 April 2015 increased as compared to the corresponding period in 2014. These increases were mainly due to our increase in total sales volume and increase in sales of 4G products which has higher average selling price than 3G products.

According to Frost & Sullivan, although the standard of 5G has been released, it is still at a conceptual stage and its commercialisation is expected to take certain years taking into account that it took around eight years to upgrade from 3G to 4G. Global subscription for LTE has reached 497.0 million in 2014 and is expected to grow at a CAGR of approximately 31.8% to 1,976.4 million in 2019.

Save as the above, our Directors confirm that there has been no material change in the industry in which we operate or to our business, our business model, cost and revenue structures or financial condition, operational or trading position since 31 December 2014 that would materially affect the information shown in our financial statements as set forth in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND PROSPECTS

Please see the subsection headed “Business — Our Business Strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

The aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering and assuming an Offer Price of HK\$2.64 per Share, being the mid-point of the indicative range of the Offer Price of HK\$2.22 to HK\$3.06 per Share, and assuming the Over-allotment Option is not exercised) will be approximately HK\$500.3 million. We will bear the underwriting commissions, SFC transaction levy and Stock Exchange trading fee payable by us in connection with the issue of the New Shares together with any applicable fees relating to the Global Offering. The Selling Shareholder will be responsible for the underwriting commissions attributable to the Sale Shares, together with Stock Exchange trading fees, SFC transaction levy and any applicable fees in respect of the Sale Shares. The Company’s Directors intend to apply the net proceeds from the Global Offering as follows:

- (a) approximately HK\$227.6 million (equivalent to approximately RMB180.5 million, representing 45.5% of the net proceeds) will be used for purchasing of raw materials to expand our raw material sourcing capacity. We generally receives 5-20% deposit for the company’s orders and proceeds with purchase of raw materials. It takes 60 to 90 days from the sourcing of raw materials to the shipment of finished goods. While our payment term offered by creditors is usually 30 to 60 days and our credit term offered to our customers ranges from full payment before delivery to 90 days. Our cash conversion cycle is normally two to three months. We believe that the increase in capital for purchasing of raw materials will enable us to take more orders and to enjoy economies of scale. We expect that approximately HK\$75.0 million (approximately RMB59.5 million) out of which will be used to increase the raw material purchase capacity in the second year after Listing (i.e. 2016), where the remaining HK\$152.6 million (approximately RMB121.0 million) will be used to increase the raw material purchase capacity in the second year after Listing (i.e. 2017). Our management considers the increase in scale step by step will facilitate a healthy growth of the Company;
- (b) approximately HK\$135.1 million (equivalent to approximately RMB107.1 million, representing 27.0% of the net proceeds) will be used for setting up overseas representative offices and/or establishing partnership with local leading branded mobile handset suppliers or telecommunication operators at our key markets such as India, Southeast Asia, Europe, South America and other geographical regions which the Group considers with great potential in the future to improve our local technical support to its clients, ongoing client coverage and strengthen the cooperative relationship with key customers;
- (c) approximately HK\$62.5 million (equivalent to approximately RMB49.6 million, representing 12.5% of the net proceeds) will be used to expand our research and development capabilities by i) employing additional R&D personnel; ii) purchasing additional R&D equipments and upgrade existing software platforms; iii) acquiring specialized design house or its intellectual properties for smartphone accessories which can complement our product offerings;
- (d) approximately HK\$25.0 million (equivalent to approximately RMB19.8 million, representing 5.0% of the net proceeds) will be used to set up a new quality testing lab, employ additional quality testing personnel and purchase additional quality testing equipments, to facilitate efficient and cost effective quality testing process while reducing the need and cost to engage external testing labs; and

FUTURE PLANS AND USE OF PROCEEDS

- (e) approximately HK\$50.0 million (equivalent to approximately RMB39.7 million, representing 10.0% of the net proceeds) will be used for working capital and other general corporate purposes.

If the Offer Price is fixed at the high-end of the indicative range of the Offer Price, being HK\$3.06 per Share, the net proceeds we receive from the Global Offering will increase by approximately HK\$83.6 million. We intend to apply the additional net proceeds for the above purposes on a pro-rata basis. If the Offer Price is set at the low-end of the indicative range of the Offer Price, being HK\$2.22 per Share, the net proceeds we receive from the Global Offering will decrease by approximately HK\$82.6 million. We intend to reduce the net proceeds for the above purposes on a pro-rata basis.

Assuming the Offer Price is fixed at HK\$2.64 per Share (being the mid-point of the indicative range of the Offer Price) and assuming the Over-allotment Option is not exercised, we estimate that the Selling Shareholder will receive approximately HK\$21.6 million, after deducting the underwriting commissions and fees payable by the Selling Shareholder in respect of the Sale Shares. We will not receive the net proceeds from the sale of Sale Shares by the Selling Shareholder in the Global Offering.

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Shares to be received by us, after deducting underwriting fees and estimated expenses payable by it, will be approximately (i) HK\$94.3 million, assuming the Offer Price is fixed at the high-end of the indicative range of the Offer Price, being HK\$3.06 per Share; (ii) HK\$81.2 million, assuming the Offer Price is fixed at the mid-point of the indicative range of the Offer Price, being HK\$2.64 per Share; and (iii) HK\$68.3 million, assuming the Offer Price is fixed at the low-end of the indicative range of the Offer Price, being HK\$2.22 per Share. Any additional proceeds received by us from the exercise of the Over-allotment Option will also be allocated to the above businesses and projects on a pro-rata basis.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the net proceeds into short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong.

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HONG KONG UNDERWRITERS

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager

Haitong International Securities Company Limited

Co-Lead Managers

RHB OSK Securities HK Limited

Astrum Capital Management Limited

Co-Managers

Convoy Investment Services Limited

Bright Smart Securities International (H.K.) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Public Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Public Offer Shares are subject to termination if certain events, including force majeure, shall occur at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. The Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) has the right, in their sole and absolute discretion, to terminate the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement if they see fit upon the occurrence of any of the following events:

- (a) there has come to the notice of the Sole Global Coordinator that:
 - (i) any statement contained in this prospectus, the Application Forms or any other relevant documents used in connection with the Global Offering (“**Offer Documents**”) considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering, was, when it was issued, or has become, untrue, incorrect or misleading in any respect or that any forecast, expression of opinion, intention or expectation expressed in any Offer Documents is not, in the sole and absolute opinion of the Sole Global Coordinator, in all material respects, fair and honest and based on reasonable assumptions, when taken as a whole; or

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- (ii) any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering; or
 - (iii) any of the representations and warranties given by our Company in the Hong Kong Underwriting Agreement or the International Underwriting Agreement is (or would when repeated be) untrue, inaccurate or misleading or having been breached and considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering; or
 - (iv) any breach of any of the obligations or undertakings imposed upon any party (other than the Sole Global Coordinator or any of the Underwriters) to any of the Underwriting Agreements; or
 - (v) any material adverse change or prospective material adverse change in the condition, business, assets and liabilities, properties, results of operations, in the financial or trading position or prospect of any member of our Group; or
 - (vi) approval by the Listing Committee of the listing of, and permission to deal in, the Shares is refused or not granted, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (vii) the Company withdraws any of the Offer Documents (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or the Global Offering; or
 - (viii) any matter, event, act or omission which gives or is likely to give rise to any material liability of our Company pursuant to the indemnities given by our Company; or
 - (ix) any person (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or
- (b) there shall develop, occur, exist or come into effect:
- (i) any change or development involving a prospective change in, or any event or series of events resulting or likely to result in or representing any change or development in local, national, regional or international financial, political, military, industrial, legal, economic, currency market, fiscal or regulatory or market matters or conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Renminbi against any foreign currencies) in or affecting Hong Kong, Macau, China, the Cayman Islands, the British Virgin Islands, the United States, the United Kingdom, Canada, the European Union (or any member thereof), Japan, Singapore or any other relevant jurisdiction (each a “**Relevant Jurisdiction**”); or
 - (ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or

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- (iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, riot, public disorder, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, outbreak of infectious disease (including without limitation SARS and Influenza A (H5N1)) in or affecting any of the Relevant Jurisdictions; or
- (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or
- (v) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange, or (B) a general moratorium on commercial banking activities in any of the Relevant Jurisdictions declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (vi) any material adverse change or development or event involving a prospective material adverse change in taxation or exchange controls (or the implementation of any exchange control), currency exchange rates or foreign investment regulations in any of the Relevant Jurisdictions; or
- (vii) any imposition of economic sanctions, in whatever form, directly or indirectly, by any of the Relevant Jurisdictions; or
- (viii) any material adverse change or development or event involving a prospective material adverse change in our Group's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects; or
- (ix) the commencement by any judicial or regulatory body or organisation of any public action against a Director or an announcement by any judicial or regulatory body or organisation that it intends to take any such action; or
- (x) other than with the approval of the Sole Global Coordinator, the issue or requirement to issue by our Company of a supplementary prospectus or offering document pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the opinion of the Sole Global Coordinator materially adverse to the marketing for or implementation of the Global Offering; or
- (xi) a petition is presented for the winding up or liquidation of our Company or any of its subsidiaries, or our Company or any of its subsidiaries make any compromise or arrangement with our Company's or our creditors or enter into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any of our subsidiaries or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of the Company or any of our subsidiaries or anything analogous thereto occurs in respect of the Company or any of our subsidiaries; or
- (xii) a valid demand by any creditor for repayment or payment of any of the Company's indebtedness or those of any of our subsidiaries or in respect of which our Company or any of

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our subsidiaries are liable prior to its stated maturity, or any loss or damage sustained by our Company or any of its subsidiaries (howsoever caused and whether or not the subject of any insurance or claim against any person); or

- (xiii) any material litigation or claim being threatened or instigated against our Company or any of our subsidiaries or the existing Shareholders/Controlling Shareholders,

and which, in any of the above cases and in the sole opinion of Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters):

- (a) is or may or will be or is likely to be materially adverse to, or materially and prejudicially affect, the business or financial or trading position or prospects of our Company or our subsidiaries as a whole; or
- (b) has or may have or will have or is likely to have an adverse effect on the success of the Global Offering and/or make it impracticable or inadvisable for any part of this Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or
- (c) makes or may make or will or is likely to make it inadvisable or inexpedient to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus.

Undertakings to the Stock Exchange under the Listing Rules

By us

We have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date) without the prior consent of the Stock Exchange, except in the circumstances prescribed by Rule 10.08 of the Listing Rules.

By Controlling Shareholders

Each of our Controlling Shareholders has undertaken to the Stock Exchange that, except pursuant to the Global Offering, the Over-allotment Option and/or if the applicable, the Stock Borrowing Agreement, it shall not and shall procure that the relevant registered holder(s) shall not:

- (a) at any time within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owners; or
- (b) at any time during the six-month period commencing on the date on which the period mentioned in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be our Controlling Shareholder(s).

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Pursuant to Note 3 to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has also undertaken to the Stock Exchange that, within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

- (a) when he or it pledges or charges any Shares or other securities of our Company beneficially owned by him or it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of such Shares or other securities of our Company so pledged or charged; and
- (b) when he or it receives any indications, either verbal or written, from any pledgee or charge that any of the pledged or charged Shares or securities will be disposed of, immediately inform us of any such indications.

We have agreed and undertaken to the Stock Exchange that, we shall inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of an announcement as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

By us

We have undertaken to each of the Sole Global Coordinator, the Sole Sponsor, the Sole Lead Manager and the Hong Kong Underwriters that, except pursuant to the Global Offering, the Capitalisation Issue, the Over-allotment Option, any options which may be granted under the Share Option Scheme and any Share(s) granted under the RSU Scheme, we will not, and will procure that our subsidiaries will not, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, at any time from the date of the Hong Kong Underwriting Agreement until the expiry of six months from the Listing Date (the “**First Six-month Period**”):

- (a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase any of its share capital or other securities of our Company or any of our subsidiaries or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein);
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein;
- (c) enter into any transaction with the same economic effect as any transaction specified in sub-paragraphs (a) or (b) above; or
- (d) offer to or agree to do any of the foregoing or announce any intention to do so,

whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise, and in the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the First Six-month Period (the “**Second Six-month Period**”), our Company will take all reasonable steps to ensure that any such act will not create a disorderly or false market for the Shares or other securities of our Company.

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We have further undertaken to each of the Sole Global Coordinator, the Sole Sponsor, the Sole Lead Manager and the Hong Kong Underwriters that in respect of any option to be granted by us under Share Option Scheme during the First Six-month Period, such option shall be granted subject to the condition that the grantee shall not, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), at any time during the First Six-month Period in respect of the Shares derived from the option so granted:

- (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the share or debt capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein) whether now owned or hereinafter acquired, directly or indirectly, by him/her (including holding as a custodian) or with respect to which he or she has beneficial interest;
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein;
- (c) enter into any transaction with the same economic effect as any transaction described in paragraph (a) or (b) above; or
- (d) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (a) or (b) or (c) above, whether any such transaction described in paragraph (a) or (b) or (c) above is to be settled by delivery of Shares or such other securities, in cash or otherwise.

By our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to each of the Sole Global Coordinator, the Sole Sponsor, the Sole Lead Manager and the Hong Kong Underwriters that, except pursuant to the Global Offering, the Capitalisation Issue, the Over-allotment Option and/or if applicable, the Stock Borrowing Agreement, it will not, and will procure that none of its associates will, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), at any time during the First Six-month Period:

- (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the share or debt capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein) whether now owned or hereinafter acquired, directly or indirectly, by any of our Controlling Shareholders (including holding as a custodian) or with respect to which any of our Controlling Shareholders has beneficial interest;
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein;

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- (c) enter into any transaction with the same economic effect as any transaction described in paragraph (a) or (b) above; or
- (d) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (a) or (b) or (c) above, whether any such transaction described in paragraph (a) or (b) or (c) above is to be settled by delivery of Shares or such other securities, in cash or otherwise.

In addition, during the Second Six-month Period, each of our Controlling Shareholders will not enter into any of the foregoing transactions described in (a), (b), (c) or (d) if, immediately following such transaction, it will cease to be a Controlling Shareholder of our Company or would together with the other Controlling Shareholders cease to be Controlling Shareholders of our Company.

Until the expiry of the Second Six-month Period, in the event that any of our Controlling Shareholders enters into any of the foregoing transactions described in (a), (b), (c) or (d), it will take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or other securities of our Company.

Each of our Controlling Shareholders has further undertaken to our Company, the Sole Global Coordinator, the Sole Sponsor, the Sole Lead Manager and the Hong Kong Underwriters that it will, at any time before the expiry of the Second Six-month Period:

- (a) upon any pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) of any share capital or other securities of our Company or any interests therein in respect of which it is the beneficial owner, immediately inform our Company and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in writing of such pledge or charge together with the number of Shares or other securities so pledged or charged; and
- (b) upon any indication received by it, either verbal or written, from any pledgee or chargee that any of the pledged or charged shares or securities or interests in the shares or other securities of our Company will be disposed of, immediately inform our Company, the Sole Global Coordinator and the Sole Lead Manager (for itself and on behalf of the other Hong Kong Underwriters) in writing of such indications.

Our Company will inform the Stock Exchange, the Sole Sponsor, the Sole Global Coordinator and the Sole Lead Manager in writing as soon as it has been informed of any of the matters referred to above (if any) by our Controlling Shareholders and disclose such matters by way of a press announcement to be published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Each of our Company and our Controlling Shareholders agrees and undertakes that it will not, and each Controlling Shareholder further undertakes to procure that Company will not, effect any transactions of Shares, or agree to do so, which may reduce the holdings of Shares of persons other than the Directors, chief executives, substantial shareholders or their respective associates to below 25% within the First Six Months Period without first having obtained the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters).

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By RSU Scheme Nominee

RSU Scheme Nominee has undertaken to each of the Sole Global Coordinator, the Sole Sponsor, the Sole Lead Manager and the Hong Kong Underwriters that, it will not, and will procure that none of its associates will, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), at any time during the First Six-month Period:

- (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the share or debt capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein) whether now owned or hereinafter acquired, directly or indirectly, by it (including holding as a custodian) or with respect to which it has beneficial interest;
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein;
- (c) enter into any transaction with the same economic effect as any transaction described in paragraph (a) or (b) above; or
- (d) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (a) or (b) or (c) above, whether any such transaction described in paragraph (a) or (b) or (c) above is to be settled by delivery of Shares or such other securities, in cash or otherwise.

RSU Scheme Nominee has further undertaken to each of the Sole Global Coordinator, the Sole Sponsor, the Sole Lead Manager and the Hong Kong Underwriters that in respect of any RSU to be granted by it under RSU Scheme during the First Six-month Period, such RSU shall be granted subject to the condition that the grantee shall not, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), at any time during the First Six-month Period, do any of the acts in respect of the underlying Shares derived from RSUs so granted as set out in paragraphs (a) to (d) above (inclusive).

International Placing

In connection with the International Placing, it is expected that our Company and the Selling Shareholder, will enter into the International Underwriting Agreement with, inter alia, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions, severally agree to subscribe or buy or procure subscribers or purchasers for the International Placing Shares being offered pursuant to the International Placing.

Our Company is expected to grant to the Sole Global Coordinator the Over-allotment Option, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days from the date of the last day of lodging applications under the Hong Kong Public Offering to require our Company to allot and issue up to an aggregate of 31,875,000 additional New Shares, representing 15% of the initial Offer Shares in aggregate, at the same price per Share under the International Placing to cover, among other things, over-allocations (if any) in the International Placing and the Selling Shareholder.

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Commission and expenses

The Underwriters will receive an underwriting commission of 3.5% on the aggregate Offer Price of all the Offer Shares, out of which any sub-underwriting commission will be paid. We may, at our sole discretion, pay the Sole Global Coordinator an incentive fee of up to 1% of the aggregate Offer Price of all the Offer Shares.

The underwriting commissions (excluding any incentive fee), listing fees, Stock Exchange trading fee and transaction levy, legal and printing and other professional fees and other expenses relating to the Global Offering which are estimated to be approximately RMB45.7 million in aggregate (assuming (i) an Offer Price of HK\$2.64 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus); (ii) the Over-allotment Option is not exercised), are payable and borne by our Company in respect of the New Shares.

Indemnity

Our Company has agreed to indemnify the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Activities by Syndicate members

Set out below is a variety of activities that the Underwriters of the Hong Kong Public Offering and the International Placing, together referred to as “Syndicate Members”, may each individually undertake, and which do not form part of the underwriting or the stabilising process. It should be noted that when engaging in any these activities the Syndicate Members are subject to restrictions, including the following:

- (a) under the agreement among the Syndicate Members, none of the Underwriters (except for the Sole Global Coordinator, its affiliate(s) or any person(s) acting for it for the purpose of taking any stabilising action) will, and each of the Underwriters will procure that none of its respective affiliates and agents will, in connection with the distribution of the Offer Shares, effect, cause or authorise any other person to effect any transactions including, but not limited to issuing options or derivatives on the underlying Shares (whether in the open market or otherwise and whether in Hong Kong or elsewhere) with a view to stabilising or maintaining the market price of any of the Shares at a level higher than that which might otherwise prevail in the open market or any action which is designed to or which constitutes or which might be expected to, cause or result in the stabilisation or manipulation, in violation of applicable laws, of the price of any security of the Company; and
- (b) none of the Underwriters (other than the Sole Global Coordinator or its affiliate(s) or any other person(s) acting for it for the purpose of taking any stabilising action), will, during the period which begins on the commencement of trading of the Shares on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, issue any warrant, option or derivative on the underlying Shares (whether in the open market or otherwise), except with the prior written consent of the Sole Global Coordinator.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares and entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange)

UNDERWRITING

which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All of these activities may occur both during and after the end of the stabilising period described under the subsection headed “Structure and conditions of the Global Offering — Stabilisation” in this prospectus. These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares, and the volatility of the Shares and their share price, and the extent to which this occurs from day to day cannot be estimated.

Underwriters’ interests in our Company

Save for their obligations under the Underwriting Agreements, none of the Underwriters has any shareholding interests in our Company nor has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares in our Company nor any interest in the Global Offering.

Sponsor’s Independence

Haitong International Capital satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering which forms part of the Global Offering. Haitong International Capital is the Sole Sponsor for the listing of the Shares on the Stock Exchange as well as the Sole Global Coordinator and Sole Bookrunner of the Global Offering.

The Global Offering initially consists of (subject to the Over-allotment Option):

- (i) the Hong Kong Public Offering of 21,250,000 Offer Shares (subject to re-allocation as mentioned below) in Hong Kong as described in the subsection headed “Hong Kong Public Offering” in this section of the prospectus below; and
- (ii) the International Placing of 191,250,000 Offer Shares comprising 182,750,000 New Shares and 8,500,000 Sale Shares (subject to re-allocation and the Over-allotment Option as mentioned below) outside the United States in reliance on Regulation S.

Investors may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Offer Shares under the International Placing, but may not do both. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have applied for Hong Kong Public Offer Shares in the Hong Kong Public Offering. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Underwriters are soliciting from prospective investors' indications of interest in acquiring the Offer Shares in the International Placing. Prospective professional, institutional and other investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and International Placing respectively may be subject to re-allocation and, in the case of the International Placing only, the Over-allotment Option as set out in the subsection headed “International Placing — Over-allotment Option” in this section of the prospectus.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company (for ourselves and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price. Our Company and, among others, the Selling Shareholder expect to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date. Details of the underwriting arrangements are summarized in the section headed “Underwriting” of this prospectus.

This Prospectus has not been and will not be registered as a prospectus under the (Indian) Companies Act, 2013, as amended, with any registrar of companies in India. This prospectus, or any other offering document or material relating to the International Placing Shares, may not be circulated or distributed, directly or indirectly, to the public or any members of the public in India.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares pursuant to the Global Offering will be conditional on, among others:

- (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued pursuant to the Global Offering and the Capitalisation Issue and any Shares which may be issued pursuant to the exercise of the Over-allotment Option, and any options which may be granted under Share Option Scheme;
- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective agreements.

in each case on or before the dates and times specified in the Underwriting Agreements (unless to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

The Offer Shares are being offered at the Offer Price which is expected to be fixed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on the Price Determination Date, which is expected to be on or around Friday, 19 June 2015 and in any event, not later than Tuesday, 23 June 2015.

If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) by Tuesday, 23 June 2015, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange at www.hkexnews.hk and our website at www.vital-mobile.com on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to apply for the Hong Kong Public Offer Shares” of this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Share certificates for the Offer Shares are expected to be issued on Thursday, 25 June 2015 but will only become valid certificates of title at 8:00 a.m. on Friday, 26 June 2015 provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in the subsection headed “Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 21,250,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering (assuming that the Over-allotment Option is not exercised). Subject to the re-allocation of Shares between (i) the International Placing; and (ii) the Hong Kong Public Offering as mentioned below, the number of the Hong Kong Public Offer Shares will represent approximately 10% of our Company’s issued share capital immediately after completion of the Global Offering and Capitalisation Issue assuming that the Over-allotment Option is not exercised.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the subsection headed “Conditions of the Global Offering” in this section of the prospectus.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offering (after taking into account of any re-allocation of Offer Shares between the Hong Kong Public Offering and the International Placing) is to be divided into two pools (subject to adjustment of odd lot size) for allocation purposes: pool A and pool B. The Hong Kong Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares with an aggregate price of HK\$5 million or below (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable). The Hong Kong Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Public Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Public Offer Shares from either pool A or pool B but not from both pools and can only apply for Hong Kong Public Offer Shares in either pool A or pool B.

Multiple or suspected multiple applications within either pool or between pools and any application for more than 10,625,000 Hong Kong Public Offer Shares (being 50% of the initial number of Hong Kong Public Offer Shares) are liable to be rejected.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Re-allocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment. If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times; (ii) 50 times or more but less than 100 times; and (iii) 100 times or more, of the number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be re-allocated to the Hong Kong Public Offering from the International Placing so that the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 63,750,000 Offer Shares (in the case of (i)), 85,000,000 Offer Shares (in the case of (ii)) and 106,250,000 Offer Shares (in the case of (iii)) representing approximately 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option) in each case, the additional Offer Shares re-allocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate. In addition, in certain prescribed circumstances, the Sole Global Coordinator may, at its sole and absolute discretion, re-allocate International Placing Shares as it deems appropriate from the International Placing to the Hong Kong Public Offering to satisfy in whole or in part the excess valid application in the Hong Kong Public Offering.

If the Hong Kong Public Offer Shares are not fully subscribed for, the Sole Global Coordinator may, at its sole and absolute discretion, re-allocate all or any unsubscribed Hong Kong Public Offer Shares to the International Placing, in such proportion as the Sole Global Coordinator deems appropriate.

Applications

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Placing.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$3.06 per Offer Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the subsection headed "Price determination of the Global Offering" in this section of the prospectus, is less than the maximum price of HK\$3.06 per Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to apply for the Hong Kong Public Offer Shares" of this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

INTERNATIONAL PLACING

Number of Offer Shares offered

The number of Offer Shares to be initially offered for subscription under the International Placing will be new 191,250,000 Shares, representing approximately 90% of the total number of the Offer Shares initially available under the Global Offering (subject to re-allocation and the Over-allotment Option). Subject to any re-allocation of Offer Shares between the International Placing and the Hong Kong Public Offering, the International Placing Shares will represent approximately 22.5% of our enlarged issued share capital immediately after completion of the Global Offering and Capitalisation Issue assuming the Over-allotment Option is not exercised.

The International Placing is subject to the same conditions as stated in the subsection headed “Conditions of the Global Offering” in this section of the prospectus.

Allocation

The International Placing will include selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the book-building process described in the subsection headed “Price determination of the Global Offering” in this section of the prospectus and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

Over-allotment Option

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the Sole Global Coordinator (on behalf of International Underwriters) that is exercisable at the sole discretion of the Sole Global Coordinator (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the Sole Global Coordinator has the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days from the date of the last day of lodging application under the Hong Kong Public Offering, to require our Company to allot and issue up to 31,875,000 additional New Shares, representing 15% of the number of the Offer Shares initially available under the Global Offering, at the same price per Share under the International Placing to cover, among other things, over-allocation in the International Placing, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.75% of our enlarged share capital immediately following the completion of the Global Offering and Capitalisation Issue and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the Listing Rules.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

STABILISATION ACTION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the offer price.

The Sole Global Coordinator has been appointed by us as the stabilising manager (“**Stabilising Manager**”) for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilising) Rules made under the SFO. In connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period beginning on the Listing Date and expected to end on Sunday, 19 July 2015, being the 30th day after the last day for lodging of applications under the Hong Kong Public Offering. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. Any market purchases of the Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager its affiliates or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the sole and absolute discretion of the Sole Global Coordinator and may be discontinued at any time. Any such stabilising activity is required to be brought to an end on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be allotted and issued by our Company under the Over-allotment Option, namely 31,875,000 Shares in aggregate, which is approximately 15% of the Shares initially available under the Global Offering.

Stabilising Manager, its affiliates or any person acting for it, may take all or any of the following stabilising action in Hong Kong during the stabilisation period:

- (i) purchase, or agree to purchase, any of the Shares or offer or attempt to do so for the sole purpose of preventing or minimizing any reduction in the market price of the Shares;
- (ii) in connection with any action described in paragraph (i) above;
 - (a) (1) over-allocation; or
 - (2) selling or agreeing to sell the Shares so as to establish a short position in them,
 - for the purpose of preventing or minimizing any reduction in the market price of the Shares;
 - (b) exercise the Over-allotment Option and subscribe for, or agreeing to subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) above;
 - (c) sell or agree to sell any Shares by it in the course of the stabilising action in order to liquidate any position that has been established by such actions; and
 - (d) offer or attempt to do anything described in (a)(2), (b) and (c) above.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares, and there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a position; Investors should be warned of the possible impact of any liquidation of such long position by the Stabilising Manager, its affiliates or any other person acting for them, may have an adverse impact on the market price of the Shares;
- stabilising action cannot be used to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on Sunday, 19 July 2015, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilising period.

In connection with the Global Offering, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 31,875,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, which will be exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) at its sole discretion, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

STOCK BORROWING ARRANGEMENT

In order to facilitate settlement of over-allocations in the International Placing and for the purpose of stabilising of the market price of the Shares (if any), the Sole Global Coordinator may borrow up to 31,875,000 Shares, equivalent to the maximum number of Shares to be issued on the exercise of the Over-allotment Option in full, pursuant to the Stock Borrowing Agreement. The loan of Shares by the Sole Global Coordinator pursuant to the Stock Borrowing Agreement shall not be subject to the restrictions under Rule 10.07(1)(a) of the Listing Rules which restricts the disposal of Shares by our Controlling Shareholders subsequent to the date of this prospectus, subject to compliance with the following requirements in accordance with the provisions of Rule 10.07(3) of the Listing Rules:

- (a) the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Placing;
- (b) the maximum number of Shares which may be borrowed from Winmate must not exceed the maximum number of Shares which may be issued upon the full exercise of the Over-allotment Option;

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

- (c) the same number of Shares so borrowed must be returned to Winmate or its nominees, as the case may be, on or before the third Business Day following the earlier of (i) the last day for exercising the Over-allotment Option, and (ii) the date on which the Over-allotment Option is exercised in full;
- (d) the borrowing of Shares pursuant to the Stock Borrowing Agreement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and
- (e) no payments will be made to Winmate by the Stabilising Manager in relation to the Stock Borrowing Agreement.

PRICE DETERMINATION OF THE GLOBAL OFFERING

The Offer Price is expected to be fixed on the Price Determination Date, which is expected to be on or around Friday, 19 June 2015, and in any event on or before Tuesday, 23 June 2015, by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder).

The Offer Price will be not more than HK\$3.06 per Share and is expected to be not less than HK\$2.22 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Sole Global Coordinator, for itself and on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on the website of the Stock Exchange at www.hkexnews.hk and our website at www.vital-mobile.com notices of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the offer price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder), will be fixed within such revised offer price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon by our Company (for ourselves and on behalf of the Selling Shareholder) with the Sole Global Coordinator (for itself and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The final Offer Price, the levels of indication of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares under the Hong Kong Public Offering, are expected to be announced on Thursday, 25 June 2015 in the manner set out in the subsection headed “How to apply for the Hong Kong Public Offer Shares — Publication of Results” in this prospectus.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 26 June 2015, it is expected that dealings in the Offer Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 26 June 2015, and will be traded in board lots of 1,000 Shares under the stock code 6133.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form service** at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Global Coordinator, the **HK eIPO White Form Service Provider** and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form service**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form service** for the Hong Kong Public Offer Shares.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above;
- a core connected person (as defined in the Listing Rules) of the Company or will become a core connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG PUBLIC OFFER SHARES

Which Application Channel to Use

For Hong Kong Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between from 9:00 a.m. on Tuesday, 16 June 2015 until 12:00 noon on Friday, 19 June 2015 from:

- (i) any of the following addresses of the Hong Kong Underwriters:

Haitong International Securities Company Limited

22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

RHB OSK Securities HK Limited

12/F World-wide House
19 Des Voeux Road Central
Hong Kong

Convoy Investment Services Limited

Unit C, 24/F, @CONVOY
169 Electric Road
North Point
Hong Kong

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

Bright Smart Securities International (H.K.) Limited

10/F, Wing On House
71 Des Voeux Road Central
Hong Kong

Astrum Capital Management Limited

11/F, 122 QRC
122-126 Queen's Road Central
Hong Kong

(ii) any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

District	Branch	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Wanchai Southorn Branch	Shop C2 on G/F and 1/F to 2/F, Lee Wing Building, No. 156-162 Hennessy Road, Wanchai
	North Point Centre Branch	Shop G, G/F, North Point Centre, 284 King's Road, North Point
	Causeway Bay Branch	G/F to 2/F, Yee Wah Mansion, 38-40A Yee Wo Street, Causeway Bay
Kowloon	Kwun Tong Hoi Yuen Road Branch	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong
	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
	Tsimshatsui Branch	G/F, 8A-10 Granville Road, Tsimshatsui
	Mei Foo Manhattan Branch	Shop Nos.07 & 09, Ground Floor, Mei Foo Plaza, Mei Foo Sun Chuen
New Territories	Tuen Mun Town Plaza Branch	Shop No. G047-G052, Tuen Mun Town Plaza Phase I, Tuen Mun
	Shatin Plaza Branch	Shop No. 8, Shatin Plaza, 21-27 Shatin Centre Street, Shatin

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

You can collect a **YELLOW** Application Form and a copy of the prospectus during normal business hours from 9:00 a.m. on Tuesday, 16 June 2015 until 12:00 noon on Friday, 19 June 2015, from the **Depository Counter of HKSCC** at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Horsford Nominees Limited — Vital Mobile Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Tuesday, 16 June 2015	—	9:00 a.m. to 5:00 p.m.
Wednesday, 17 June 2015	—	9:00 a.m. to 5:00 p.m.
Thursday, 18 June 2015	—	9:00 a.m. to 5:00 p.m.
Friday, 19 June 2015	—	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on 19 June 2015, the last application day or such later time as described in the subsection headed "Effect of Bad Weather on the Opening of the Applications Lists" in this section of the prospectus.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form service**, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of the Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;
- (viii) agree to disclose to the Company, our Hong Kong Branch Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Selling Shareholder, the Sole Sponsor, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the firstnamed applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form Service Provider** by you or by any one as your agent or by any other person; and

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “Who can apply” section, may apply through the **HK eIPO White Form service** for the Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form service** are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **HK eIPO White Form Service Provider** to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form service**.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form Service Provider** at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 16 June 2015 until 11:30 a.m. on Friday, 19 June 2015 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 19 June 2015 or such later time as described in the subsection headed “Effect of Bad Weather on the Opening of the Applications Lists” in this section of the prospectus.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form service** to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form service** or by any other means, all of your applications are liable to be rejected.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Global Coordinator and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

- agree that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;
- declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Selling Shareholder, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our Hong Kong Branch Share Registrar, receiving banks, the Selling Shareholder, the Sole Sponsor, the Sole Global Coordinator, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Public Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Public Offer Shares. Instructions for more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, 16 June 2015	—	9:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 17 June 2015	—	8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 18 June 2015	—	8:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, 19 June 2015	—	8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

1. These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 16 June 2015 until 12:00 noon on Friday, 19 June 2015 (24 hours daily, except the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 19 June 2015, the last application day or such later time as described in the subsection headed “Effect of Bad Weather on the Opening of the Application Lists” in this section of the prospectus.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Branch Share Registrar, the receiving bankers, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the **HK eIPO White Form service** is also only a facility provided by the **HK eIPO White Form Service Provider** to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Bookrunner, the Sole Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form service** will be allotted any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 19 June 2015.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form service**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profit or capital).

9. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form service** in respect of a minimum of 1,000 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the subsection headed “Structure and Conditions of the Global Offering — Price Determination of the Global Offering” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 19 June 2015. Instead they will open between 9:00 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

If the application lists do not open and close on Friday, 19 June 2015 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” of this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares on Thursday, 25 June 2015 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company’s website at www.vital-mobile.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website at www.vital-mobile.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. Thursday, 25 June 2015;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, 25 June 2015 to 12:00 midnight on Thursday, 2 July 2015;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 25 June 2015 to Tuesday, 30 June 2015 (excluding Saturday, Sunday and Public Holiday);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 25 June 2015 to Monday, 29 June 2015 at all the receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure and conditions of the Global Offering” of this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form Service Provider**, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Sole Global Coordinator, the **HK eIPO White Form Service Provider** and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Public Offer Shares is void:

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form service** are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

- the Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure and Conditions of the Global Offering — Conditions of the Global Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 25 June 2015.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 25 June 2015. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

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Share certificates will only become valid at 8:00 a.m. on Friday, 26 June 2015 provided that the Global Offering has become unconditional and the right of termination described in the “Underwriting” section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Company’s Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. and 1:00 p.m. on Thursday, 25 June 2015 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 25 June 2015, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 25 June 2015, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant’s stock account as stated in your Application Form on Thursday, 25 June 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Public Offering shares credited to your designated CCASS participant’s stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

- **If you are applying as a CCASS investor participant**

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 25 June 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 25 June 2015, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 25 June 2015 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 25 June 2015, or, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in “Publication of Results” above on Thursday, 25 June 2015. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 25 June 2015 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Thursday, 25 June 2015. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 25 June 2015.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any Trading Day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.



德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

16 June 2015

The Directors
Vital Mobile Holdings Limited
Haitong International Capital Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to Vital Mobile Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended 31 December 2014 (the “Track Record Periods”) for inclusion in the prospectus of the Company dated 16 June 2015 (the “Prospectus”) issued in connection with the proposed listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing”).

The Company was incorporated and registered as an exempted company in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Island on 12 August 2014. Through a group reorganisation as more fully explained in the paragraph headed “Reorganisation” in the section headed “History, development and reorganisation” in the Prospectus (the “Group Reorganisation”), the Company became the holding company of the Group on 29 August 2014.

As at the date of this report, the Company has interests in the following subsidiaries:

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Equity interest attributable to the Group			Date of this report	Principal activities
			31 December				
			2012 %	2013 %	2014 %		
Vital Mobile Limited (“Vital BVI”)*	British Virgin Islands (“BVI”) 27 June 2014	United States Dollar (“USD”) 1	N/A	N/A	100	100	Investment holding
Vital Mobile (HK) Limited (“Vital HK”)	Hong Kong 4 July 2014	Hong Kong Dollar (“HKD”) 1	N/A	N/A	100	100	Investment holding
Beijing Benywave Wireless Communication Co., Ltd.+ (“Benywave Wireless”) 北京百納威爾無線通信設備有限公司	People’s Republic of China (“PRC”) 22 July 2014	Renminbi (“RMB”) 100,000,000	N/A	N/A	100	100	Developing, designing, production management and selling mobile telecommunication devices on original design manufacturer (“ODM”) basis and sale of mobile telecommunication related components and accessories, targeting overseas markets

Notes:

- * Directly held by the Company.
- + The English name is for identification only.

The financial year end date of the Company and its subsidiaries is 31 December.

Historically, the Overseas Business (as defined in note 2 to Section A to the Financial Information) was operated as a separate business unit (the "Overseas Business Unit") under Beijing Benywave Technology Co., Ltd ("Benywave Technology") during the Track Record Periods until the establishment of Benywave Wireless and completion of the split, which the Overseas Business related assets and liabilities were assumed by Benywave Wireless on 29 August 2014 (the "Assets Transfer"). The Overseas Business Unit has been under the common control by the same controlling parties throughout the Track Record Periods. For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Company which comprise the Company and its subsidiaries and the Overseas Business Unit prior to the Assets Transfer for the Track Record Periods in accordance with accounting policies that conform with the International Financial Reporting Standards ("IFRSs") (the "Underlying Financial Statements"). The Underlying Financial Statements have been audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The statutory financial statements of Benywave Technology for each of the two years ended 31 December 2013 were prepared in accordance with the relevant accounting principles and financial regulations applicable to the enterprises established in the PRC. They were audited by 大華會計師事務所有限公司, Certified Public Accountants registered in the PRC.

No statutory audited financial statements have been prepared for the Company and Vital BVI as they were incorporated in jurisdictions where there are no statutory audit requirements. No statutory audited financial statements have been prepared for Vital HK and Benywave Wireless since their respective dates of incorporation/establishment as they are not yet due for issuance as at the date of this report.

We have also examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The Financial Information of the Group for the Track Record Periods as set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 2 to Section A of the Financial Information. No adjustment was considered necessary to adjust the Underlying Financial Statements in the preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company ("Directors") who approved their issue. The Directors are also responsible for the contents of the Prospectus in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information, and to report our opinion to you.

In our opinion, on the basis of preparation set out in note 2 to Section A of the Financial Information, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 December 2012, 2013 and 2014, and of the Company as at 31 December 2014, and of the Group's profit and cash flows for the Track Record Periods.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 December		
		2012	2013	2014
		RMB'000	RMB'000	RMB'000
Revenue	8	663,579	1,368,897	1,916,183
Cost of sales		<u>(584,080)</u>	<u>(1,220,676)</u>	<u>(1,655,949)</u>
Gross profit		79,499	148,221	260,234
Other gain and loss	9	(1,009)	(3,139)	(2,235)
Research and development costs		(13,122)	(16,397)	(22,047)
Selling and distribution expenses		(14,196)	(17,858)	(22,847)
Administrative expenses		(9,074)	(13,298)	(6,901)
Listing expense		<u>—</u>	<u>—</u>	<u>(12,544)</u>
Profit before tax	10	42,098	97,529	193,660
Income tax expense	11	<u>(6,339)</u>	<u>(14,656)</u>	<u>(37,435)</u>
Profit and total comprehensive income for the year attributable to equity holders of the Company		<u>35,759</u>	<u>82,873</u>	<u>156,225</u>
		RMB	RMB	RMB
Earnings per share — basic	13	<u>0.06</u>	<u>0.13</u>	<u>0.24</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		The Group At 31 December			The Company At 31 as December 2014
	NOTES	2012 RMB'000	2013 RMB'000	2014 RMB'000	2014 RMB'000
Non-current assets					
Equipment	15	309	340	208	–
Investment in a subsidiary	17	–	–	–	–
		<u>309</u>	<u>340</u>	<u>208</u>	<u>–</u>
Current assets					
Inventories	18	13,423	69,413	123,543	–
Trade and other receivables	19	100,309	45,158	397,843	3,485
Amount due from a fellow subsidiary	16	–	–	7,860	–
Pledged bank deposits	20	–	–	535	–
Cash and bank balances	20	–	–	10,440	–
		<u>113,732</u>	<u>114,571</u>	<u>540,221</u>	<u>3,485</u>
Current liabilities					
Trade payables	21	18,837	84,676	164,289	–
Accrual and other payables	22	2,860	7,406	22,626	1,822
Deposits received from customers		35,161	53,937	14,811	–
Amount due to a related party	16	–	–	4,116	4,116
Amount due to a subsidiary	16	–	–	–	10,136
Tax liabilities		–	–	13,791	–
Provision	23	8,604	12,478	23,332	–
		<u>65,462</u>	<u>158,497</u>	<u>242,965</u>	<u>16,074</u>
Net current assets (liabilities)		<u>48,270</u>	<u>(43,926)</u>	<u>297,256</u>	<u>(12,589)</u>
Total assets less current liabilities		<u>48,579</u>	<u>(43,586)</u>	<u>297,464</u>	<u>(12,589)</u>
Net assets (liabilities)		<u>48,579</u>	<u>(43,586)</u>	<u>297,464</u>	<u>(12,589)</u>
Capital and reserves					
Share capital	24	–	–	–	–
Reserves	25	48,579	(43,586)	297,464	(12,589)
Total equity		<u>48,579</u>	<u>(43,586)</u>	<u>297,464</u>	<u>(12,589)</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attribute to equity holders of the Company			
	Share capital RMB'000 (Note 24)	Special reserve RMB'000	Retained profit RMB'000	Total RMB'000
Balance at 1 January 2012	–	129,219	–	129,219
Profit and total comprehensive income for the year	–	–	35,759	35,759
Transfer of net profit in respect of Overseas Business (note 1)	–	35,759	(35,759)	–
Net return to Benywave Technology (note 2)	–	(116,399)	–	(116,399)
Balance at 31 December 2012	–	48,579	–	48,579
Profit and total comprehensive income for the year	–	–	82,873	82,873
Transfer of net profit in respect of Overseas Business (note 1)	–	82,873	(82,873)	–
Net return to Benywave Technology (note 2)	–	(175,038)	–	(175,038)
Balance at 31 December 2013	–	(43,586)	–	(43,586)
Capital	–	–	–	–
Profit and total comprehensive income for the year	–	–	156,225	156,225
Transfer of net profit in respect of Overseas Business prior to the Assets Transfer (note 1)	–	133,821	(133,821)	–
Net contribution from Benywave Technology prior to the Assets Transfer (note 3)	–	184,825	–	184,825
Balance at 31 December 2014	–	275,060	22,404	297,464

Notes:

1. The profit in respect of operations of the Overseas Business carried out by Benywave Technology prior to the Group Reorganisation was legally belonged to Benywave Technology. The transfer of net profit in respect of the Overseas Business represents the results of the Overseas Business as such profit are non-distributable profit of the Group.
2. The net return to Benywave Technology represents the funding generated by the Overseas Business Unit retained by Benywave Technology prior to the Assets Transfer.
3. The net contribution from Benywave Technology represents the funding provided by Benywave Technology to the Overseas Business Unit prior to the Assets Transfer.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Prior to the Assets Transfer, the Overseas Business Unit was operated under Benywave Technology and no separate bank accounts have been maintained by the Overseas Business Unit. The treasury and cash disbursement functions of the Overseas Business Unit were centrally administrated by Benywave Technology. The net cash flows generated by the Overseas Business Unit were kept in the bank accounts of Benywave Technology. Accordingly, the funds provided for or withdrawn from Benywave Technology were presented as movements in the equity while there are no cash and cash equivalents balance for the Overseas Business Unit and there were no cash received/paid directly by the Group in connection with its operating, investing and financing activities. After the completion of the Assets Transfer to Benywave Wireless, Benywave Wireless opened its own bank accounts.

For the purpose of presenting a completed set of financial information of the Group, the following comprises the information of cash inflow/outflow of the Group and the Overseas Business Unit received/paid by Benywave Technology prior to the Assets Transfer.

	Year ended 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Operating activities			
Profit for the year	35,759	82,873	156,225
Adjustments for:			
Income tax recognised in profit or loss	–	–	13,791
Depreciation of equipment	108	124	138
Foreign exchange (gain) loss, net	(54)	(380)	2,235
Write down of inventories	2,675	2,960	2,472
(Reversal of provision) provision for warranty	(4,796)	3,874	10,854
Operating cash flows before movements in working capital	33,692	89,451	185,715
Decrease (increase) in inventories	32,500	(58,950)	(56,602)
Decrease (increase) in trade and other receivables	67,774	55,531	(354,920)
Increase (decrease) in trade payables	(44,314)	65,839	79,613
Increase in accrual and other payables	634	4,546	15,220
Increase (decrease) in deposits received from customers	24,220	18,776	(39,126)
Net cash generated from (used in) operating activities	114,506	175,193	(170,100)
Investing activities			
Increase in amount due from a fellow subsidiary	–	–	(7,860)
Proceeds from disposal of equipment	10	–	1
Purchases of equipment	(36)	(155)	(7)
Repayment from a sales director	1,919	–	–
Net cash (used in) generated from investing activities	1,893	(155)	(7,866)
Cash generated from financing activity			
Increase in amount due to a related party	–	–	4,116
Net cash generated by (used in) Overseas Business/net increase (decrease) in cash and cash equivalents	116,399	175,038	(173,850)
Net (return to) contribution from Benywave Technology	(116,399)	(175,038)	184,825
Effect of pledged bank deposits	–	–	(535)
Cash and cash equivalents at the end of the year	–	–	10,440

NOTES TO THE FINANCIAL INFORMATION**1. GENERAL INFORMATION**

The Company was established in the Cayman Islands as an exempted company with limited liability on 12 August 2014. The address of the registered office and the principal place of business of the Company are set out in the section headed "Corporate Information" to the Prospectus. The immediate holding company of the Company is Winmate Limited ("Wimate") which is incorporated in 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.

The Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. GROUP REORGANISATION AND BASIS OF PREPARATION OF FINANCIAL INFORMATION

Historically and prior to completion of the Assets Transfer, Benywave Technology carried out the PRC Business (which has been primarily engaged in developing, designing, production management and selling of mobile telecommunications devices, and sale of mobile telecommunication related components and accessories under the self-owned brands, targeting the PRC market) and Overseas Business (which has been primarily engaged in developing, designing, production management and selling mobile telecommunication devices on ODM basis and sale of mobile telecommunication related components and accessories, targeting overseas markets.)

Pursuant to a split agreement dated 29 April 2014 which was approved by the relevant authorities in the PRC in July 2014, Benywave Technology has been resolved to split into two separate legal entities namely Benywave Technology and Benywave Wireless, with the original Benywave Technology retaining PRC Business and the new entity Benywave Wireless assuming the Overseas Business. Benywave Technology and Benywave Wireless are owned by Vital Profit Technology Inc ("Vital Profit") which is ultimately controlled by Winmate. In August 2014, The Company acquired the entire interest in Benywave Wireless from Vital Profit at a consideration of RMB100,000,000.

The Group comprising the Company and its subsidiaries resulting from the Group Reorganisation is regarded as a continuing entity. The Overseas Business Unit has been under the common control by Ms. Rong and Mr. Ni throughout the Track Record Periods. For the purpose of presenting the financial positions, financial results and cash flows of the Group in this report, the Overseas Business Unit is deemed to be part of the Group throughout the Track Record Periods. Accordingly, the Financial Information of the Group has been prepared on the basis as if the Company had always been the holding company of the Group.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each the three years ended 31 December 2014 include the results, changes in equity and cash flows of the Overseas Business as if the Overseas Business had been operated by the Group throughout the Track Record Periods.

The consolidated statements of financial position of the Group as at 31 December 2012 and 2013 have been prepared to present the assets and liabilities of the Overseas Business, as if the current group structure had been in existence and the Overseas Business had been transferred to the Group on those dates.

The Overseas Business was carried out by Benywave Technology prior to the Assets Transfer. To the extent the assets, liabilities, income and expenses that are specifically identified to the Overseas Business, such items are included in the Financial Information throughout the Track Record Periods. To the extent the assets, liabilities, income and expenses that are common to the Overseas Business and PRC Business, these items are allocated between the Overseas Business and PRC Business on the basis set out below (such items include certain research and development costs, administrative expenses and income tax expenses). Items that do not meet the criteria above are not included in the Financial Information of the Group.

Expenses which are common to the Overseas Business and the PRC Business are allocated on the following basis: (1) included in research and development costs of approximately RMB6.7 million, RMB8.2 million and RMB7.9 million for each of three years ended 31 December 2014, representing partial staff costs, product test costs and other expenses were allocated based on percentage of the budget revenue of the Overseas Business and percentage of the budget revenue of the PRC Business; (2) included in administrative expenses of approximately RMB5.6 million, RMB5.0 million and RMB3.1 million for each of three years ended 31 December 2014, representing partial staff costs, sundry office costs and other expenses were allocated based on headcount of the Overseas Business and the headcount of the PRC Business; and (3) income tax expenses were calculated based on the tax rate of the Overseas Business Unit as if it were a separate tax payer.

The Directors believe that the method of allocation of the above items presents a reasonable basis of estimating what the Overseas Business Unit operating results would have been on a stand-alone basis for the Track Record Periods. Other than certain of the research and development costs, administrative expenses and income tax expenses mentioned above, all other items of the assets, liabilities, income and expenses are specifically identified.

Prior to the completion of the Assets Transfer, the treasury and cash disbursement functions of the Overseas Business Unit were centrally administrated by Benywave Technology. All the transactions of the Overseas Business Units were settled by Benywave Technology and therefore, the net cash flows generated by the Overseas Business Unit was presented as net returns to Benywave Technology in the consolidated statements of changes in equity.

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

For the purpose of preparing and presenting the Financial Information for the Track Record Periods, the Group has consistently applied the relevant IFRSs which are effective for the financial year beginning on 1 January 2014 throughout the Track Record Periods.

The Group has not early applied the following new and revised IFRSs that have been issued which are not yet effective.

IFRS 9	Financial Instruments ¹
IFRS 14	Regulatory Deferral Accounts ²
IFRS 15	Revenue from Contracts with Customers ³
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁵
Amendments to IAS 1	Disclosure Initiative ⁵
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization ⁵
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants ⁵
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions ⁴
Amendments to IAS 27	Equity Method in Separate Financial Statements ⁵
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception ⁵
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle ⁶
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle ⁴
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle ⁵

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

² Effective for first annual IFRS financial statements beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 July 2014

⁵ Effective for annual periods beginning on or after 1 January 2016

⁶ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

Except as disclosed below, the Directors anticipate that the application of the new and revised IFRSs will have no material impact on the Financial Information.

IFRS 15 Revenue from Contracts with Customers

In May 2014, 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 goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with 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.

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

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs issued by the International Accounting Standards Board. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for the Track Record Periods continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

The Financial Information has been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combination under common control

The Financial Information incorporates the financial statements items of the combining entity or business in which the common control combination occurs as if it had been combined from the date when the combining entity or business first came under the control of the controlling party.

The net assets of the combining entity or business are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the result of the combining entity or business from the earliest date presented or since the date when the combining entity or business first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Investment in a subsidiary

Investment in a subsidiary is stated as cost less any identified impairment loss on the statement of financial position of the Company. The result of a subsidiary is accounted for on the basis of dividend received and receivable.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Foreign currencies

In preparing the Financial Information, transactions in currencies other than the functional currency of the Group are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the Group operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

When no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Retirement benefit costs

Payments to state-managed retirement benefit schemes which are defined contribution plans are recognised as an expense when employees have rendered service entitling them to the contribution.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provision for warranties

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of time value of money is material).

Provisions for the expected cost of warranty obligations under the relevant sales of goods legislation are recognised at the date of sale of the relevant products, at the Directors' best estimate of the expenditure required to settle the Group's obligation.

Equipment

Equipment is stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Impairment of non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the Track Record Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a fellow subsidiary, cash and bank balances and pledged bank deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each of the reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly for all loans and receivables with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the loans and receivables at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

The financial liabilities (including trade payables, other payables amount due to a subsidiary and amount due to a related party) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the Track Record Periods. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The following is the key assumptions concerning the future, and other keys sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance for inventories

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgment and estimates on the conditions and usefulness of the inventories. Where the expectation is different from the original estimate, such difference will impact carrying value of inventories in the year in which such estimate has been changed.

At 31 December 2012, 2013 and 2014, the carrying amounts of inventories are approximately RMB13,423,000, RMB69,413,000 and RMB123,543,000 respectively (net of write down of inventories of approximately RMB2,675,000, RMB2,960,000 and RMB2,472,000 respectively).

Provision for warranty

Provision for warranty is measured at the management's best estimate of the Group's liability under one year warranty period granted on mobile telecommunication devices at the end of each reporting period. Estimated costs related to warranty are accrued at the time of sales based on historical record and adjusted as required to reflect actual costs incurred, as information becomes available.

At 31 December 2012, 2013 and 2014, the carrying amounts of provision for warranty are approximately RMB8,604,000, RMB12,478,000 and RMB23,332,000 respectively.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Prior to the Group Reorganisation, the Overseas Business Unit was operated under Benywave Technology during the Track Record Periods. Upon the completion of the Group Reorganisation, the management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new shares issue as well as the issue of new debt.

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	The Group			The Company
	2012	At 31 December		2014
	RMB'000	2013	2014	RMB'000
		RMB'000	RMB'000	
Financial assets				
Loans and receivables (including cash and bank balances, pledged bank deposits)	44,684	9,462	356,109	–
Financial liabilities				
Amortised cost	19,751	89,317	174,177	16,074

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, amount due from a fellow subsidiary, pledged bank deposits, cash and bank balances, trade payables, other payables and amounts due to related parties. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (mainly currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Foreign currency risk

The Group undertakes certain operating transactions 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.

The carrying amounts of the Group's foreign currency denominated monetary assets (trade receivables, cash and bank balances) and liabilities (Trade payables and amount due to a related party) at the end of each reporting periods are as follows:

	At 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
USD	44,522	9,452	295,749
HKD	<u>–</u>	<u>–</u>	<u>10</u>

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against USD and all other variables were held constant. 5% represents management's assessment of the reasonably possible change in the foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation to RMB at each period end for a 5% change in the foreign currency rate. A positive number below indicates an increase in post-tax profit where RMB weakens 5% against the USD. For a 5% strengthening of RMB against the USD, there would be an equal and opposite impact on the profit for the year, and the amounts below would be negative.

	At 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	<u>1,892</u>	<u>402</u>	<u>11,091</u>

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Credit risk

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 amounts of the respective recognised financial assets as stated in the consolidated statements of financial position.

The Group has concentration of credit risk as the total trade receivables were due from the Group's 4, 7 and 10 customers as at 31 December 2012, 2013 and 2014 respectively. The management considered that the credit risk of trade receivables is insignificant after considering the credit quality and financial ability of these customers.

Details of the Group's credit policy is set out in note 19. The Group monitors the credit risk on an ongoing basis and credit evaluations are regularly performed. The Group also maintains export credit insurance policies to lower its credit risk. Hence, the management of the Company believes that the Group's credit risk is significantly reduced.

Liquidity risk

Prior to the Group Reorganisation, the Group relied on the financial support of the equity holders of Benywave Technology as the Overseas Business Unit was operated by Benywave Technology. Upon the completion of the Group Reorganisation, the Group manages liquidity risk by maintaining a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the impacts of fluctuations in cash flows.

The following tables details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	On demand or within one year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
<u>As at 31 December 2012</u>			
Financial liabilities			
Other payables	914	914	914
Trade payables to a related party	<u>18,837</u>	<u>18,837</u>	<u>18,837</u>
Total	<u><u>19,751</u></u>	<u><u>19,751</u></u>	<u><u>19,751</u></u>
<u>As at 31 December 2013</u>			
Financial liabilities			
Other payables	4,641	4,641	4,641
Trade payables to a related party	<u>84,676</u>	<u>84,676</u>	<u>84,676</u>
Total	<u><u>89,317</u></u>	<u><u>89,317</u></u>	<u><u>89,317</u></u>
<u>As at 31 December 2014</u>			
Financial liabilities			
Other payables	5,772	5,772	5,772
Trade payables	164,289	164,289	164,289
Amount due to a related party	<u>4,116</u>	<u>4,116</u>	<u>4,116</u>
Total	<u><u>174,177</u></u>	<u><u>174,177</u></u>	<u><u>174,177</u></u>

Fair value of financial instruments

There are no financial instruments measured at fair value or a recurring basis.

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

8. 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 the Overseas Business as a single operating segment that engaged in developing, designing, production management and selling mobile telecommunication devices on ODM basis and sale of mobile telecommunication related components and accessories, targeting overseas markets. 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 information is available for assessment of performance of different products, only 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 Track Record Periods:

	Year ended 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Smartphones	311,735	1,242,092	1,717,971
Feature phones	351,489	4,780	–
Smartphone component packs	–	121,528	196,277
Mobile device components	<u>355</u>	<u>497</u>	<u>1,935</u>
	<u>663,579</u>	<u>1,368,897</u>	<u>1,916,183</u>

Geographical information

The Group's major operations are currently operated in the PRC and all non-current assets of the Group are located in the PRC. Accordingly, no geographical information has been presented.

The following table sets forth a breakdown of the Group's revenue during the Track Record Periods based on locations of the external customers:

	Year ended 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Southeast Asia	117,585	357,607	93,727
South Asia	441,716	356,055	183,008
Europe	1,340	234,640	259,877
South America	7,188	124,787	203,920
Other parts of Asia	59,083	230,013	174,961
Hong Kong	16,659	827	500,331
North America	4,628	64,968	424,465
Africa	<u>15,380</u>	<u>–</u>	<u>75,894</u>
	<u>663,579</u>	<u>1,368,897</u>	<u>1,916,183</u>

Notes:

1. Southeast Asia includes Philippines, Thailand, Vietnam, Malaysia and Indonesia.
2. South Asia includes India and Bangladesh.
3. Europe includes France, Romania, Spain, Russia, Portugal and Italy.
4. South America includes Brazil, Chile and Venezuela.
5. Other parts of Asia includes Yemen, Taiwan, Pakistan, Dubai, Israel, Nepal, Turkey and Sri Lanka.
6. Sales to Hong Kong mainly comprised of sales to certain mobile trading companies incorporated in Hong Kong who sell branded mobile handsets to various countries including but not limited to Philippines, Vietnam, Thailand, Malaysia, India, Indonesia, Korea, and Pakistan.
7. North America includes United States of America, Mexico and Honduras.
8. Africa includes South Africa, Algeria and Morocco.

Information about major customers

Revenue from customers contributing over 10% of the total sales of the Group during the Track Record Periods is as follows:

	Year ended 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	215,042 ¹	257,410 ¹	N/A ³
Customer B	N/A	137,047 ¹	N/A ³
Customer C	N/A ³	156,027 ¹	N/A ³
Customer D	N/A ³	142,557 ¹	N/A ³
Customer E	N/A ³	142,021 ¹	N/A ³
Customer F	136,666 ¹	N/A ³	N/A ³
Customer G	N/A ³	N/A ³	385,855 ¹
Customer H	N/A ³	N/A ³	365,772 ¹
Customer I	N/A	N/A ³	196,277 ²

¹ Revenue from sales of smartphones

² Revenue from sales of smartphone component packs

³ The corresponding revenue did not contribute over 10% of the total revenue of the Group

9. OTHER GAIN AND LOSS

	Year ended 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Foreign exchange loss, net	<u>1,009</u>	<u>3,139</u>	<u>2,235</u>

10. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Auditor's remuneration	20	14	18
Depreciation of equipment	108	124	138
Depreciation of other equipment	779	624	543
Directors' emoluments (<i>Note 12</i>)	1,466	1,532	1,859
Other staff cost			
Salaries and other allowance	14,767	17,024	18,750
Retirement benefit schemes contribution	<u>3,728</u>	<u>4,173</u>	<u>4,084</u>
Total staff costs	19,961	22,729	24,693
Cost of inventories recognised as an expense	584,080	1,220,676	1,655,949
Write down of inventories (included in cost of sales)	2,675	2,960	2,472
Operating lease rentals in respect of rented premises	<u>1,001</u>	<u>865</u>	<u>983</u>

11. INCOME TAX EXPENSE

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Enterprise income tax ("EIT")			
PRC Enterprise Income Tax	<u>6,339</u>	<u>14,656</u>	<u>37,435</u>
	<u>6,339</u>	<u>14,656</u>	<u>37,435</u>

Under the Law of the PRC and Enterprise Income tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of Benywave Wireless is 25%. However, Benywave Technology is recognised as "New and High Technology Enterprises" and therefore entitled to apply a tax rate of 15%. The PRC EIT of the Overseas Business carried out by Benywave Technology prior to the establishment of Benywave Wireless is estimated by treating the Overseas Business Unit as a separate tax payer using the tax rate of Benywave Technology prior to the Assets Transfer.

The tax charge for the Track Record Periods can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Profit before tax	<u>42,098</u>	<u>97,529</u>	<u>193,660</u>
Tax calculated at applicable domestic tax rates (2012: 15%, 2013: 15%, 2014: 25%)	6,315	14,629	48,415
Tax effect of expenses not deductible for tax purposes	24	27	4,783
Effect of different tax rate of Overseas Business Unit prior to the Assets Transfer	<u>-</u>	<u>-</u>	<u>(15,763)</u>
Income tax expenses	<u>6,339</u>	<u>14,656</u>	<u>37,435</u>

12. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE

The Directors' emoluments paid/payable to the Executive directors, who were appointed on 12 August 2014, and the Independent non-executive directors, who were appointed on 19 September 2014, of the Company during the Track Record Periods were as follows:

	Year ended 31 December 2012		
	Salaries and allowances	Retirement benefit schemes contribution	Total
	RMB'000	RMB'000	RMB'000
Executive Directors			
Ms. Rong	720	73	793
Mr. Rong Shengli	600	73	673
	<u>1,320</u>	<u>146</u>	<u>1,466</u>

	Year ended 31 December 2013		
	Salaries and allowances	Retirement benefit schemes contribution	Total
	RMB'000	RMB'000	RMB'000
Executive Directors			
Ms. Rong	720	81	801
Mr. Rong Shengli	650	81	731
	<u>1,370</u>	<u>162</u>	<u>1,532</u>

	Year ended 31 December 2014		
	Directors' fee	Salaries and allowances	Retirement benefit schemes contribution
	RMB'000	RMB'000	RMB'000
Executive Directors			
Ms. Rong	–	720	85
Mr. Rong Shengli	–	720	85
Independent non-executive Directors			
Mr. Hon Kwok Ping Lawrence	83	–	–
Mr. Lam Yiu Kin	83	–	–
Mr. Tsang Yat Kiang	83	–	–
	<u>249</u>	<u>1,440</u>	<u>170</u>
	<u>249</u>	<u>1,440</u>	<u>1,859</u>

During the Track Record Periods and prior to the completion of the Assets Transfer, Ms. Rong and Mr. Rong Shengli who were also director and employee of Benywave Technology received emoluments from Benywave Technology. The amounts above comprise the total emoluments of Ms. Rong and Mr. Rong Shengli received from the Group and Benywave Technology for their services to the Overseas Business Unit prior to the completion of the Assets Transfer.

Mr. Rong Shengli is the Chief Executive Officer of the Company.

Of the five individuals with the highest emoluments in the Group, two were the Directors for the Track Record Periods whose emoluments are included in the disclosures above. The emoluments of the remaining three individuals for the Track Record Periods were as follows:

	Year ended 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and allowance	1,165	1,224	1,088
Retirement benefits schemes contribution	<u>218</u>	<u>243</u>	<u>255</u>
	<u><u>1,383</u></u>	<u><u>1,467</u></u>	<u><u>1,343</u></u>

The number of these five highest paid individuals (including Directors) whose remuneration fell within the following band is as follows:

	Year ended 31 December		
	2012	2013	2014
Nil to HKD1,000,000	<u><u>5</u></u>	<u><u>5</u></u>	<u><u>5</u></u>

During the Track Record Periods, no Directors waived or agreed to waive any emoluments, and no emoluments were paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share for the Track Record Periods is based on the profit attributable to equity holders of the Company for each of the Track Record Periods, and on the basis of weighted average number of ordinary shares of 646,000,000, taking into consideration the 1,000 shares of the Company in issue, the Group Reorganisation as disclosed in note 2 and 645,999,000 shares to be issued pursuant to the capitalisation issue as more fully explained in the section headed "Resolutions of our Shareholders" in Appendix IV to the Prospectus and Section C.

14. DIVIDENDS

As the Overseas Business was operated as the Overseas Business Unit under Benywave Technology during the Track Record Periods, the net return to Benywave Technology as set out in the consolidated statements of changes in equity does not necessarily represent a distribution of profit and no dividends were considered to be paid or declared by the Group during the Track Record Periods.

15. EQUIPMENT

	Electronic and office equipment <i>RMB'000</i>
COST	
At 1 January 2012	775
Additions	36
Disposals	<u>(17)</u>
At 31 December 2012	794
Additions	<u>155</u>
At 31 December 2013	949
Additions	7
Disposals	<u>(38)</u>
At 31 December 2014	<u><u>918</u></u>
ACCUMULATED DEPRECIATION	
At 1 January 2012	384
Charge for the year	108
Eliminated on disposals	<u>(7)</u>
At 31 December 2012	485
Charge for the year	<u>124</u>
At 31 December 2013	609
Charge for the year	138
Eliminated on disposals	<u>(37)</u>
At 31 December 2014	<u><u>710</u></u>
CARRYING AMOUNT	
At 31 December 2012	<u>309</u>
At 31 December 2013	<u>340</u>
At 31 December 2014	<u><u>208</u></u>

Depreciation is provided to write off the cost of items of equipment, over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method at the following rates:

Electronic and office equipment	10–20%
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16. AMOUNTS DUE FROM/TO RELATED PARTIES

The amounts are non-trading in nature, unsecured, non-interest bearing and have no fixed terms of repayment.

The amounts due from a fellow subsidiary and to a related party represent balances with Benywave Technology and a related company controlled by Ms. Rong respectively as at 31 December 2014.

The amount due to a related party is denominated in USD, a currency other than the functional currency of the Company and its subsidiaries.

17. INVESTMENTS IN A SUBSIDIARY

	THE COMPANY As at 31 December 2014 RMB'000
Unlisted share, at cost of USD1	—

18. INVENTORIES

	At 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	5,811	12,006	107,192
Finished goods	7,612	57,407	16,351
	<u>13,423</u>	<u>69,413</u>	<u>123,543</u>

19. TRADE AND OTHER RECEIVABLES

	The Group			The Company
	At 31 December			As at
	2012	2013	2014	31 December
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	44,522	9,452	337,184	—
Other receivables				
– Value added tax receivables	55,625	35,696	55,858	—
– Others	162	10	90	—
Prepayments to suppliers	—	—	1,226	—
Listing fee	—	—	3,485	3,485
	<u>100,309</u>	<u>45,158</u>	<u>397,843</u>	<u>3,485</u>

Normally, deposit of 5% to 20% is required upon receiving the purchase order from the customer. Before the goods are delivered, a full payment by telegraphic transfer or up to 60 days letter of credit is required for certain customers.

Credit terms are granted to selected customers on case by case basis. 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 Group allows a credit terms from 60 to 90 days to selected customers on a case-by-case basis depending on the business relationship with and creditworthiness of the respective customers. The following is an aged analysis of trade receivables presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates.

	At 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 60 days	41,195	6,707	234,514
61 to 180 days	3,327	2,745	96,525
181 days to 1 year	—	—	6,145
	<u>44,522</u>	<u>9,452</u>	<u>337,184</u>

Included in trade receivables are the following carrying amounts denominated in a currency other than the functional currency of the Group.

	At 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
USD	<u>44,522</u>	<u>9,452</u>	<u>337,184</u>

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB3,327,000, RMB2,745,000 and RMB102,670,000 which are past due as at 31 December 2012, 2013 and 2014, for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the Group believes that the amounts are still considered recoverable as these amounts are covered by letters of credit issued by reputable banks. The Group does not hold any collateral over these balances. The average age of these receivables is 62 days, 81 days and 151 days as at 31 December 2012, 2013 and 2014.

The following is an aged analysis of the trade receivables based on invoice dates, which are past due but not impaired.

	At 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
61 to 180 days	3,327	2,745	96,525
181 days to 1 year	—	—	6,145
	<u>3,327</u>	<u>2,745</u>	<u>102,670</u>

20. CASH AND BANK BALANCES

Included in cash and bank balances are the following amounts denominated in currency other than functional currency of the Company and its subsidiaries:

	As at 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and bank balances denominated in:			
– USD	—	—	8,033
– HKD	—	—	10
	<u>—</u>	<u>—</u>	<u>8,043</u>

Bank balances carried interest at market rates which range from 0.01% to 0.35% per annum as at 31 December 2014.

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.

21. TRADE PAYABLES

Prior to the completion of the Assets Transfer, the placing of purchase orders of raw materials from independent suppliers for PRC Business and Overseas Business was made by Benywave Technology as a single entity.

	At 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables to third parties	–	–	164,289
Trade payable to Benywave Technology	18,837	84,676	–
	<u>18,837</u>	<u>84,676</u>	<u>164,289</u>

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

	As at 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	15,965	84,676	163,747
91 to 180 days	2,872	–	542
	<u>18,837</u>	<u>84,676</u>	<u>164,289</u>

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

	At 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
USD	–	–	<u>45,352</u>

22. ACCRUAL AND OTHER PAYABLES

	The Group			The Company
	At 31 December			At as 31 December
	2012	2013	2014	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Payable for premium and freights	914	4,641	3,669	–
Accrued staff cost	1,946	2,765	3,644	–
Accrued royalty	–	–	13,210	–
Others	–	–	2,103	1,822
	<u>2,860</u>	<u>7,406</u>	<u>22,626</u>	<u>1,822</u>

23. PROVISION

	Warranty provision RMB'000
At 1 January 2012	13,400
Reversal of provision	<u>(4,796)</u>
At 31 December 2012	8,604
Additional provision	<u>3,874</u>
At 31 December 2013	12,478
Additional provision	<u>10,854</u>
At 31 December 2014	<u><u>23,332</u></u>

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.

24. SHARE CAPITAL**The Company**

	Number of shares	Nominal value per share HK\$	Share capital HK\$
Authorised			
On incorporation (<i>Note i</i>)	<u>500,000</u>	0.1	<u>50,000</u>
At 31 December 2014	<u><u>500,000</u></u>		<u><u>50,000</u></u>
Issued			
On incorporation (<i>Notes i and ii</i>)	<u>100</u>	0.1	<u>10</u>
At 31 December 2014	<u><u>100</u></u>		<u><u>10</u></u>
Presented as			<i>RMB</i>
			<u><u>7.94</u></u>

Notes:

- (i) On 12 August 2014, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with authorised share capital comprised of 500,000 shares at par value of HK\$0.1 per share. Upon its incorporation, 1 subscriber share of par value of HK\$0.1 was allotted, issued and credited as nil paid to a third party as the initial subscriber. On the same day, the third party transferred the one share to Winmate.
- (ii) Furthermore, 92 new Shares and 7 new Shares with par value of HK\$0.10 each were issued and allotted to Winmate and Favor Gain Enterprises Limited ("Favor Gain") respectively pro-rata to their respective shareholdings in Vital Profit. None of the 100 Shares in the Company issued to Favor Gain and Winmate were paid up on allotment.

25. RESERVES**The Company**

The amount represents accumulated loss as at 31 December 2014.

26. MAJOR NON-CASH TRANSACTION

All the transactions of the Overseas Business were settled by Benywave Technology during the Track Record Periods. The funds provided by or withdrawn from Benywave Technology were presented as movements in the special reserve as set out in the consolidated statements of changes in equity.

27. CONTINGENT LIABILITY AND CAPITAL COMMITMENTS

The Group had no significant contingent liabilities and capital expenditure contracted for but not provided or authorised but not contract for in the Financial Information at the end of each reporting period.

28. RETIREMENTS BENEFITS CONTRIBUTION

The PRC employees of the Group are members of a state-managed retirement benefit plan operated by the government of the PRC. The PRC subsidiaries of the Company are required to contribute a specified percentage of payroll costs to the retirement benefit plan to fund the employee benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. The retirement benefit cost charged to profit or loss during the Track Record Periods amounted to RMB3,874,000, RMB4,335,000, and RMB4,254,000 respectively.

29. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in the Financial Information, the Group entered into the following transactions with related parties during the Track Record Periods:

(a) Related party transactions

	Year ended 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Purchase of goods from Benywave Technology (<i>Notes i and iii</i>)	556,903	1,267,589	1,169,264
	<u>556,903</u>	<u>1,267,589</u>	<u>1,169,264</u>
Rental expenses incurred by Benywave Technology for Overseas Business (<i>Notes i and iv</i>)	1,001	865	610
Rental expense incurred by Benywave Wireless (<i>Note ii and iv</i>)	–	–	341
Equipment rental expense incurred by Benywave Wireless (<i>Note ii and v</i>)	–	–	32
Royalty expenses incurred by Benywave Technology for Overseas Business and Benywave Wireless (<i>Notes i and vi</i>)	5,135	19,610	29,967
	<u>5,135</u>	<u>19,610</u>	<u>29,967</u>

Notes:

- (i) These related party transactions will be ceased after the Listing.
- (ii) These related party transactions will continue after the Listing.
- (iii) The sourcing of raw materials from external independent suppliers for PRC Business and Overseas Business was centralised by Benywave Technology. The amounts represent the purchase costs of raw materials used in the production of the Overseas Business during the Track Record Periods. After the Group Reorganisation, Benywave Wireless entered into agreements with those suppliers directly.
- (iv) The amounts represent rental expenses allocated to the Overseas Business Unit in relation to the lease of office from Beijing Tianyu Communication Equipment Co., Ltd. ("Tianyu") by Benywave Technology during the Track Record Periods. Tianyu is an entity wholly owned by Ms. Rong and Mr. Ni. After completion of the Group Reorganisation, Benywave Wireless entered into a lease agreement with Tianyu for the lease of office directly.
- (v) The amounts represent rental expenses paid by Benywave Wireless in relation to the lease of equipment from Benywave Technology.
- (vi) Tianyu entered into a licensing agreement with an external independent supplier and assigned the license to Benywave Technology such that Benywave Technology is required to pay royalty fees based on the number of mobile telecommunication devices it produced and sold to Tianyu. The amounts represent royalty fees allocated to the Overseas Business and Benywave Wireless in relation to the mobile telecommunication devices produced and sold under the Overseas Business during the Track Record Periods.

(b) Remuneration of key management personal of the Group

	Year ended 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Short term employee benefits	2,485	2,594	3,015
Post-employment benefit	<u>364</u>	<u>405</u>	<u>473</u>
	<u>2,849</u>	<u>2,999</u>	<u>3,488</u>

B. DIRECTORS' REMUNERATION

Under the arrangements presently in force, the aggregate remuneration payable to the Directors for the year ending 31 December 2015 is estimated to be approximately RMB2,483,000.

C. SUBSEQUENT EVENTS

Other than those disclosed in the Section A of the Financial Information, the following significant events took place subsequent to 31 December 2014:

- (a) Pursuant to the written resolution passed by the shareholders of the Company on 9 June 2015 conditional upon the listing of the Company's shares on the Stock Exchange, the Directors were authorised to capitalise the amount of HK\$64,599,900 from the amount standing to the credit of the share premium account of the Company to pay up in full at par of 645,999,000 shares for allotment and issue to the then existing shareholdings in the Company.
- (b) On 9 June 2015, the restricted share unit ("RSU") scheme of the Company is conditionally approved and adopted by the board of Directors. The principal terms of the RSU scheme are set out in the section "Statutory and General Information RSU Scheme" in Appendix IV to the prospectus. No RSU was granted up to the date of this report.
- (c) On 9 June 2015, the share option scheme of the Company is conditionally approved and adopted by the board of Directors. Further details of the share options scheme are set out in the section "Statutory and General Information — Share Option Scheme" in Appendix IV to the Prospectus. No options were granted up to the date of this report.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2014.

Yours faithfully

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The information set out in this Appendix does not form part of the Accountants' report prepared by Deloitte Touche Tohmatsu, our Company's Reporting Accountants, as set out in Appendix I to this prospectus (the "Accountants' Report") and is included herein for information only. The pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus.

(A) PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS OF THE GROUP

The following pro forma statement of adjusted net tangible assets of the Group has been prepared in accordance with Rule 4.29 of the Listing Rules and is set out in this appendix to illustrate how the Global Offering might have affected the net tangible assets of the Group after completion of the Global Offering as if the Global Offering had taken place on 31 December 2014.

The pro forma statement of adjusted consolidated net tangible assets of the Group have been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 December 2014 or any future date following the Global Offering. It is prepared based on the consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2014 as set out in the consolidated statements of financial position contained in Appendix I to this prospectus, and adjusted as described below.

	Consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2014	Estimated net proceeds from the Global Offering	Pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company	Pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company per share	
	<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2)</i>	<i>RMB'000</i>	<i>RMB</i> <i>(Note 3)</i>	<i>HK\$</i> <i>(Note 4)</i>
Based on Offer Price of HK\$2.22 per Share	<u>297,464</u>	<u>328,495</u>	<u>625,959</u>	<u>0.74</u>	<u>0.93</u>
Based on Offer Price of HK\$3.06 per Share	<u>297,464</u>	<u>458,939</u>	<u>756,403</u>	<u>0.89</u>	<u>1.13</u>

Notes:

1. The consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2014 is extracted from the consolidated statements of financial position set out in Appendix I to this prospectus.
2. The estimated net proceeds to be received by the Company from the Global Offering are based on 204,000,000 shares at the Offer Price of lower limit and upper limit of HK\$2.22 and HK\$3.06 per share, after deduction of the underwriting commissions and fees and other related fees (excluding approximately RMB12.5 million listing expenses which has charged to profit or loss up to 31 December 2014 paid/payable by the Company) assuming that the Over-allotment Option is not exercised. It does not take into account of any shares (i) which may be issued under Share Option Scheme or RSU Scheme or (ii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company.

For the purpose of the estimated net proceeds from the Global Offering, the amount denominated in HK\$ has been converted in RMB at the rate of HK\$1 to RMB0.7889, which was the rate prevailing on 31 December 2014 as quoted by the PBOC. No representation is made that the HK\$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.

3. The pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per share is arrived at on the basis that 850,000,000 Shares were in issue assuming that the Global Offering and Capitalisation Issue had been completed on 31 December 2014. It does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option, any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme or RSU Scheme, or any Shares which may be issued or repurchased pursuant to our Company's general mandate.
4. The pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company per Share are converted into HK\$ at an exchange rate of RMB0.7889 to HK\$1, which was the prevailing rate on 31 December 2014 as quoted by PBOC. No representation is made that the RMB amounts have been, could have been or may be converted to HK\$ at that rate or any other rates at all.
5. The pro forma adjusted net tangible assets of the Group attributable to owners of the Company does not take into account the effect of the trading result or other transaction of the Group subsequent to 31 December 2014.

(B) ASSURANCE REPORT FROM THE REPORTING ACCOUNTANTS ON PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountant, Hong Kong, the reporting accountants of our Company, in respect of the Group's pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte.
德勤

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香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION**TO THE DIRECTORS OF VITAL MOBILE HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Vital Mobile Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma statement of adjusted net tangible assets of the Group as at 31 December 2014 and related notes as set out on in Section A of Appendix II to the prospectus issued by the Company dated 16 June 2015 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Section A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the Global Offering (as defined in the Prospectus) on the Group's financial position as at 31 December 2014 as if the Global Offering had taken place at 31 December 2014. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the year ended 31 December 2014.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2014 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
16 June 2015

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE COMPANIES LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12 August 2014 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 9 June 2015. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

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Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the

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fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or

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incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

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A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

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(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

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The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles (see paragraph 2(i) below for further details).

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

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At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

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A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent (95%) of the total voting rights at the meeting of all the members.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;

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- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

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The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the

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dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

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(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

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Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time

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received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

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The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose

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and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

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Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 26 August 2014.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of the Cayman Islands companies except those which hold interests in land in the Cayman Islands.

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(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

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In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

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(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of the Companies Law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12 August 2014 under the Companies Law. Our registered address is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. We have registered a place of business in Hong Kong at Suite 16B, 16/F., W Square, 314–324 Hennessy Road, Wanchai, Hong Kong and have been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance. Mr. Tang Shun Lam has been appointed as our agent for the acceptance of service of process and notices in Hong Kong. The address for service of process on our Company in Hong Kong is the same as its registered place of business in Hong Kong set out above.

As we are incorporated in the Cayman Islands, our corporate structure, Memorandum of Association and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of the relevant provisions of our Memorandum of Association and Articles of Association and certain relevant aspects of the Companies Law are set out in Appendix III to this prospectus.

2. Changes in share capital

As at the date of our incorporation, the authorized share capital of our Company was HK\$50,000 divided into 500,000 Shares of par value of HK\$0.10 each. The following sets out the changes in our Company's issued share capital since the date of its incorporation:

- (a) On 12 August 2014, 1 subscriber Share of par value of HK\$0.10 was allotted, issued and credited as nil paid to Sharon Pierson as the initial subscriber. On the same day, Sharon Pierson transferred the one Share to Winmate.
- (b) On 12 August 2014, 92 new Shares were allotted, issued and credited as nil paid to Winmate.
- (c) On 12 August 2014, 7 new Shares were allotted, issued and credited as nil paid to Favor Gain.
- (d) On 26 May 2015, 837 Shares were allotted to Winmate. The 837 Shares together with the 93 Shares previously allotted to Winmate were all fully paid up at par value.
- (e) On 26 May 2015, Winmate transferred by way of gift to RSU Scheme Nominee 50 Shares for the RSU Scheme.
- (f) On 26 May 2015, Winmate transferred by way of gift to Rong Personal Trust Nominee 136 Shares for the Rong Personal Trust.
- (g) On 9 June 2015, a further 63 Shares were issued by the Company to Favor Gain at par value. These 63 Shares together with the 7 Shares previously allotted to Favor Gain were fully paid up at par value.
- (h) On 9 June 2015, pursuant to a shareholders' resolution, the authorized share capital of our Company was increased to HK\$100,000,000 divided into 1,000,000,000 Shares of par value of HK\$0.10 each by the creation of an additional 999,500,000 Shares, which shall rank *pari passu* in all respects with the Shares in issue prior to such increase.

- (i) Conditional upon the share premium account of our Company being credited as a result of the Global Offering, the sum of HK\$64,599,900.00 standing to the credit of the share premium account shall be capitalised and applied for the allotment of a total 645,999,000 Shares at par value, such allotment shall be made on a pro-rata basis as to 480,623,256 Shares in favour of Winmate, 45,219,930 Shares in favour of Favor Gain, 32,299,950 Shares in favour of RSU Scheme Nominee and 87,855,864 Shares in favour of Rong Personal Trust Nominee.
- (j) Immediately following the completion of the Capitalisation Issue and the Global Offering, assuming that the Over-allotment Option is not exercised, our authorized share capital will be HK\$100,000,000 divided into 1,000,000,000 Shares, of which 850,000,000 Shares will be issued fully paid or credited as fully paid, and 150,000,000 Shares will remain unissued.

Save as disclosed in this Appendix and in the section headed “History, development and reorganisation” in this prospectus, there has been no alteration in our Company’s share capital since the date of our incorporation.

3. Reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. Please refer to the section headed “History, development and reorganisation” in this prospectus.

4. Changes in the share capital of our subsidiaries

Our subsidiaries are referred to in the Accountants’ Report, the text of which is set out in Appendix IA to this prospectus. Save as disclosed in the section headed “History, development and reorganisation” in this prospectus, no alteration in the share capital of the subsidiaries of our Company has taken place within two years immediately preceding the issue of this prospectus.

5. Resolutions of our Shareholders

Pursuant to the written resolutions passed by our Shareholders on 9 June 2015, it was resolved that:

- (i) the authorized share capital of our Company was increased from HK\$50,000 divided into 500,000 Shares to HK\$100,000,000 divided into 1,000,000,000 Shares;
- (ii) a further 63 Shares be allotted and issued to Favor Gain. The 63 Shares so allotted and issued be fully paid up at par value upon issuance;
- (iii) RSU Scheme be conditionally adopted, which will become effective subject to (1) the Listing Committee granting the listing of, and permission to deal in, the new Shares; (2) the commencement of the trading of the Shares on the Main Board; and (3) the completion of the Capitalisation Issue;
- (iv) Share Option Scheme be conditionally adopted, which will become effective subject to (1) the Listing Committee granting the listing of, and permission to deal in, the new Shares; (2) the commencement of the trading of the Shares on the Main Board; and (3) the completion of the Capitalisation Issue;

- (v) conditional upon all the conditions set out in the section headed “Structure and conditions of the Global Offering” in this prospectus being fulfilled:
- (1) the Global Offering was approved and our Directors were authorized to effect and implement the Global Offering and allot and issue the Offer Shares pursuant to the Global Offering;
 - (2) the Over-allotment Option was approved and our Directors were authorized to allot and issue any Shares which may be required to be issued if the Over-allotment Option is exercised; and
 - (3) the Listing, and the dealing, of the Shares on the Main Board were approved and that our Directors were authorized to approve, perform and execute all such acts, matters, deeds, documents and things as they consider to be necessary and appropriate in connection with the Listing;
- (vi) conditional upon the share premium account of our Company being credited as a result of Global Offering:
- (1) the sum of HK\$64,599,900 standing to the credit of the share premium account of our Company be capitalised and the said sum be applied in paying in full at par 645,999,000 Shares for allotment and issue; and
 - (2) 480,623,256 Shares, 45,219,930 Shares, 32,299,950 Shares and 87,855,864 Shares be allotted and issued, credited as fully paid at par and ranking pari passu in all respects with the existing issued Shares, to Winmate, Favor Gain, RSU Scheme Nominee and Rong Personal Trust Nominee, respectively;
- (vii) a general unconditional mandate be and is hereby given to our Directors to exercise all the powers of our Company to allot, issue and deal with any unissued Shares and to make or grant offers, agreements and options (including but not limited to any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive into Shares) which might require Shares to be allotted, issued or dealt with, otherwise than pursuant to a rights issue or under the Global Offering or any scrip dividend scheme or other similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles from time to time in effect or exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares in issue prior to the date of grant of this mandate or a specific authority granted by the Shareholders in general meeting shall not exceed the sum of:
- (1) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option); and
 - (2) the aggregate nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to the Directors as referred to in paragraph (viii) below and the said approval shall be limited accordingly,

such mandate to take effect from the Listing Date and remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which

the next annual general meeting of our Company is required by the Articles of Association or any applicable laws to be held, or at the passing of an ordinary resolution of Shareholders in general meeting revoking, varying or renewing this mandate, whichever occurs first;

- (viii) a general unconditional mandate was given to the Directors authorizing them to exercise all the powers of our Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which our Shares may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements to the Listing Rules or of any other stock exchange as amended from time to time, the aggregate nominal amount of our Shares which our Company is authorized to repurchase shall not exceed 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), such mandate to take effect from the Listing Date and remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws to be held, or at the passing of an ordinary resolution of Shareholders in general meeting revoking, varying or renewing this mandate, whichever occurs first;
- (ix) the general mandate mentioned in paragraph (vii) above be extended by the addition to the aggregate nominal amount of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of our Company repurchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (viii) above; and
- (x) the Articles of Association was approved and adopted conditional upon Listing.

6. Repurchases of our own Shares

This section includes information relating to the repurchase of our Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Relevant Legal and Regulatory Requirements

The Listing Rules permit our Shareholders to grant to our Directors a general mandate to repurchase our Shares that are listed on the Stock Exchange. Such mandate is required to be given by way of an ordinary resolution passed by our Shareholders in a general meeting.

(b) Shareholders' Approval

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by ordinary resolutions of our Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

On 9 June 2015, our Directors were granted a general unconditional mandate to repurchase up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Global Offering on the Stock Exchange or on any other stock exchange on which our securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose before any exercise of the Over-allotment Option.

This mandate will expire at the earliest of (i) the conclusion of our next annual general meeting, (ii) the date by which our next general meeting is required by applicable laws and our Articles of Association to be held, or (iii) such mandate being revoked or varied by ordinary resolutions of our Shareholders in a general meeting (the “**Relevant Period**”).

(c) Source of Funds

Our repurchase of the Shares listed on the Stock Exchange must be funded from the funds legally available for the purpose in accordance with our Memorandum of Association and Articles of Association and the applicable laws of the Cayman Islands. We may not repurchase our Shares on the Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the above, we may make repurchases out of the profit of our Company or the proceed of a fresh issue of shares made for the purpose of the repurchase or, subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of the profit of our Company or from sums standing to the credit of the share premium account of our Company.

(d) Reasons for Repurchases

Our Directors believe that it is in our Company and our Shareholders’ best interests for our Directors to have general authority to execute repurchases of our Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

(e) Funding of Repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with our Memorandum of Association and Articles of Association, the applicable laws of the Cayman Islands and the Listing Rules.

On the basis of the current financial position of our Company as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors believe that, if the repurchase mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or the gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(f) Share Capital

The exercise in full of the current repurchase mandate, on the basis of 850,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised) could accordingly result in up to 85,000,000 Shares being repurchased by us during the Relevant Period.

(g) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any of our Shares to us or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, our Memorandum of Association and Articles of Association, the Companies Law and any other applicable laws of the Cayman Islands.

If, as a result of any repurchase of our Shares, a shareholders' proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code.

No connected person of the Company has notified the Company that he or it has a present intention to sell his or its Shares to the Company, or has undertaken not to do so, if the repurchase mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the issue of this prospectus that are or may be material:

- (i) the Split Agreement;
- (ii) an equity transfer agreement dated 19 August 2014 between Vital Profit as vendor and Vital HK as purchaser in respect of the transfer of the entire equity interest in Benywave Wireless from Vital Profit to Vital HK at a consideration of RMB100,000,000;
- (iii) a set-off agreement dated 23 September 2014 entered into by Winmate, Favor Gain, our Company, Vital HK, Vital Profit and Benywave Wireless in respect of, inter alia, the setoff of the consideration of RMB100,000,000 payable by Vital HK to Vital Profit for the transfer of Benywave Wireless;
- (iv) the trust deed dated 26 May 2015 between our Company, Core Trust as trustee and Wisdom Managements Worldwide Limited as nominee in relation to the administration of the RSU Scheme;
- (v) the deed of gift dated 26 May 2015 between Winmate, Core Trust, Wisdom Managements Worldwide Limited and our Company in respect of the RSU Scheme;
- (vi) the Deed of Indemnity executed by each of the Founders and Winmate in favour of our Company (for ourselves and for the benefit of our subsidiaries) as particularized in the section headed "F. Other information — 1. Tax and other indemnity" of this Appendix;
- (vii) the Deed of Non-Competition executed by the Founders, Winmate, Tianyu and Benywave Technology in favour of our Company (for ourselves and for the benefit of our subsidiaries) as particularized in the section headed "Relationship with our Controlling Shareholders" of this prospectus;
- (viii) the Hong Kong Underwriting Agreement;

- (ix) the cornerstone placing agreement dated 12 June 2015 entered into between our Company, Hong Kong Truly Electronics Manufacturing Limited and Haitong International Securities, details of which are set out in the section headed “Cornerstone Investors” of this prospectus;
- (x) the cornerstone placing agreement dated 12 June 2015 entered into between our Company, Sun Xu Limited and Haitong International Securities, details of which are set out in the section headed “Cornerstone Investors” of this prospectus; and
- (xi) the cornerstone placing agreement dated 12 June 2015 entered into between our Company, Vast Right Investment Limited and Haitong International Securities, details of which are set out in the section headed “Cornerstone Investors” of this prospectus.

2. Intellectual property rights

As of the Latest Practicable Date, our Group has registered or applied for the following intellectual property rights which are material in relation to our Group’s business.

(a) Trademarks

As at the Latest Practicable Date, our Group applied for registration of the following trademarks:

Territory	Trademark	Applicant	Class	Application Number	Application Date
PRC		Benywave Wireless	9	15115855	7 August 2014
			35	15118204	
			37	15118090	
			38	15117929	
			41	15115751	
			42	15117825	
PRC	Benywave	Benywave Wireless	9	15114670	7 August 2014
			35	15114967	
			37	15117342	
			38	15116267	
			41	15116424	
			42	15116122	
Hong Kong	 Benywave	Benywave Wireless	9, 35, 37, 38 and 42	303091707	6 August 2014
Hong Kong	Vital Mobile	our Company	9, 35, 37, 38 and 42	303103497	15 August 2014

As at the Latest Practicable Date, our Group was the registered owner of the following trademark:

Territory	Trademark	Registered Owner	Class	Trademark Number	Validity Period
Hong Kong	維太移動	our Company	9, 35, 37, 38 and 42	303103488	15 August 2014 to 14 August 2024

(b) Domain names

As of the Latest Practicable Date, the following domain names were registered and principally used by our Group in its business operations:

Domain name	Registrant	Valid until
vital-mobile.com	Benywave Wireless	30 July 2016
benywave.com	Benywave Wireless	7 June 2016

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, MANAGEMENT AND STAFF**1. Disclosure of interests***(a) Interests and short positions of Directors and chief executives of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations*

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised), the interests and short positions of our Directors and chief executives of our Company in the equity or debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) once the Shares are listed, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to us and the Stock Exchange or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein once the Shares are listed, are as follows:

(i) Interest in our Company

Name of Director	Nature of interest	Number of and class of securities ⁽¹⁾	Approximate percentage of interest in our Company immediately after the Global Offering ⁽²⁾
Ms. Rong ⁽³⁾	Interest in a controlled corporation Founder of a discretionary trust	568,480,000 (L)	66.88%

Notes:

- (1) The letter "L" denotes the person's long position in such Shares.
- (2) Assuming the Over-allotment Option is not exercised.
- (3) Ms. Rong and Mr. Ni hold 90% and 10% of the entire issued share capital of Winmate respectively. Ms. Rong is the spouse of Mr. Ni, and therefore, Ms. Rong is deemed to be interested in the Shares held by Winmate. Further, Rong Personal Trust Nominee holds 87,856,000 Shares representing 10.34% of the entire issued share capital of our Company as nominee of Rong Personal Trust Trustee under Rong Personal Trust. Rong Personal Trust Nominee is wholly-owned by Rong Personal Trust Trustee in its capacity as trustee of Rong Personal Trust with Ms. Rong as settlor of the trust. Rong Personal Trust is a revocable discretionary trust with Ms. Rong as settlor of the trust. Ms. Rong is deemed to be interested in the Shares held by Rong Personal Trust Nominee under the SFO by virtue of her being the founder of Rong Personal Trust.

(ii) Interest in associated corporations of our Company

Name of Director	Name of associated corporation	Percentage of interest in associated corporation
Ms. Rong ^(Note)	Winmate Limited	90%

Note: Assuming the Over-allotment Option is not exercised, Winmate will be holding more than 50% of our Shares. Therefore, our Company will be a subsidiary of Winmate, and Winmate will be the holding company and an associated corporation of our Company.

(b) Interests and short positions of the substantial shareholders in the Shares and underlying Shares of our Company

For information on the persons who will, immediately following the completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of our Company, please see the section headed “Substantial shareholders” of this prospectus.

2. Arrangement with our Directors*(a) Service contracts of our Directors*

Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing on 12 August 2014, which may be terminated by not less than three months’ notice in writing served by either party on the other and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum of Association and Articles of Association.

Our non-executive Director has been appointed for a term of one year commencing from 19 March 2015.

Each of our independent non-executive Directors has been appointed for a term of one year commencing from 19 September 2014.

None of our Directors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by our Group within one year without the payment of compensation save statutory compensation).

(b) Remuneration of our Directors

The aggregate amount of remuneration (including fees, salaries, bonuses, contributions to pension schemes, housing and other allowances) and benefits in kind paid to our Directors for the three years ended 31 December 2014 were approximately RMB1.5 million, RMB1.5 million and RMB1.9 million respectively.

The aggregate amount of remuneration payable to, and benefits in kind receivable by, our Directors by any member of the Group in respect of the financial year ending 31 December 2015 is estimated to be approximately RMB2.5 million.

None of the Directors or any past Directors or the five highest paid individuals of any members of our Group has been paid any sum of money for the three years ended 31 December 2014 (i) as an inducement to join or upon joining our Group or (ii) for loss of office as a Director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind for the three years ended 31 December 2014.

(c) Fees or commissions received

Save as disclosed in this prospectus, none of the Directors or any of the persons whose names are listed in the paragraph headed “F. Other Information — 9. Consents” in this Appendix had received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group from our Group within the two years preceding the issue of this prospectus.

(d) Disclaimers

Save as disclosed in this prospectus:

- (i) none of our Directors or chief executive of our Company has any interest or short position in the Shares, underlying Shares and debentures of our Company, or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed;
- (ii) none of our Directors nor any of the parties listed in the paragraph headed “F. Other Information — 9. Consents” in this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed or leased to us, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (iii) none of our Directors nor any of the parties listed in the section headed “F. Other Information — 9. Consents” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is unusual in its nature or conditions or significant in relation to the business of our Group;
- (iv) save for the Underwriting Agreements, none of the parties listed in the paragraph headed “F. Other Information — 9. Consents” in this Appendix is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries, or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities; and

- (v) so far as is known to our Directors, none of our Directors or Shareholders who are interested in 5% or more of our issued share capital or their associates has any interest in either our five largest suppliers or five largest customers.

D. RSU SCHEME

Summary of Terms

We conditionally approved and adopted the RSU Scheme on 9 June 2015 (“**RSU Scheme Adoption Date**”), which will become effective subject to (i) the Listing Committee granting the listing of, and permission to deal in, the new Shares; (ii) the commencement of the trading of the Shares on the Stock Exchange; and (iii) the completion of the Capitalisation Issue. The RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by our Company to subscribe for new Shares.

1. *Purposes of the RSU Scheme*

The purposes of the RSU Scheme are:

- (i) to recognize the contributions of the RSU grantees to the Group or its business;
- (ii) to give incentives to the RSU grantees in order to retain them for the continual operation and development of the Group: and
- (iii) to attract suitable personnel for further development of the Group.

2. *Awards*

An award of RSUs under the RSU Scheme (“**Award**”) gives a selected person (as set out in paragraph 4 below) in the RSU Scheme a conditional right when the granted RSUs vests to obtain either Shares or an equivalent value in cash with reference to the value of the Shares on or about the date of vesting, as determined by the Board in its absolute discretion. An Award may include, if so specified by the Board in its entire discretion, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares from the date that the Award is granted to the date that it vests.

3. *RSU Limit*

Unless otherwise duly approved by the shareholders of the Company, the total number of Shares underlying RSUs under the RSU Scheme shall not exceed 32,300,000 Shares (excluding Shares underlying RSUs that have lapsed or been cancelled in accordance with this RSU Scheme) (“**RSU Limit**”). The maximum number of Shares underlying RSUs permitted to be granted pursuant to the RSU Scheme represents approximately 3.8% of the enlarged issued share capital of the Company immediately upon completion of the Global Offering and Capitalisation Issue (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options granted or to be granted under the Share Option Scheme).

Prior to Listing, 50 Shares will be transferred by Winmate to the RSU Scheme Nominee by way of gift for the RSU Scheme. Subject to and following Capitalisation Issue, a further 32,299,950 Shares shall be allotted to RSU Scheme Nominee credited as fully paid up. RSU Scheme Nominee

shall then hold a total 32,300,000 Shares for the grant of RSU(s) under the RSU Scheme representing approximately 3.8% of the enlarged issued share capital of the Company upon completion of the Global Offering (assuming that Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the option granted or to be granted under the Share Option Scheme).

4. Selected Persons of the RSU Scheme

The Board may select the following persons to be granted with RSUs under the RSU Scheme pursuant to the RSU Scheme:

- (i) any Eligible Employee;
- (ii) any non-executive director (including any independent non-executive director) of the Company, any of its Subsidiaries or any Invested Entity;
- (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
- (iv) any customer of the Group or any Invested Entity;
- (v) any person or entity that provides research, development or other technological support the Group or any Invested Entity;
- (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (vii) any person or entity which has contributed to the Group or its business; and
- (viii) any other person selected by the Board at its sole discretion.

5. Duration of the RSU Scheme

Subject to the fulfillment of the conditions of the RSU Scheme and the termination clause in paragraph 22 below, this RSU Scheme shall be valid and effective for a term of 10 years commencing on the RSU Scheme Adoption Date (“**RSU Scheme Period**”), after which period no further RSUs shall be granted or accepted, but the provisions of this Scheme shall remain in full force and effect in order to give effect to the vesting of RSUs granted and accepted prior to the expiration of the RSU Scheme Period.

6. Administration of the RSU Scheme

The RSU Scheme shall be subject to the administration of the Board in accordance with the rules of such Scheme. The Board has the power to construe and interpret the rules of such Scheme and the terms of the Awards granted hereunder. Any decision of the Board made in accordance with the rules of such Scheme shall be final and binding, provided in each case that such decision is made in accordance with the Articles and any applicable laws. Under the RSU Scheme, the Board may delegate the administration of the RSU Scheme to such person(s) or committee(s) as the Board may see fit. Upon the adoption of the RSU Scheme by our Company, the Board will delegate the administration of the RSU Scheme to the RSU Scheme Committee comprising of one executive Director and one independent non-executive Director who initially will be Ms. Rong (executive Director), and Mr. Tsang Yat Kiang (independent non-executive Director).

7. Appointment of RSU Scheme Trustee

Upon the adoption of the RSU Scheme by our Company, the Board will appoint The Core Trust Company Limited, a trustee service provider and an Independent Third Party to administer the granting and vesting of RSUs granted to the grantees pursuant to the RSU Scheme.

8. Grant of RSU

After the Board has selected the grantees, it will inform the RSU Scheme Trustee of the name(s) of the person(s) selected, the number of Shares underlying the RSUs to be granted to each of them, the vesting schedule and other terms and conditions (if any) that the RSUs are subject to as determined by the Board.

Subject to limitations and conditions of the RSU Scheme, the Board may authorize the RSU Scheme Trustee by written notification to grant to each of the selected persons an offer of grant of Award(s) by way of a letter, which shall attach an acceptance notice, subject to the conditions that the Board thinks fit.

9. Acceptance of Awards

If the selected person intends to accept the offer of grant of RSUs as specified in the grant letter, he or she is required to sign an acceptance notice, and return it to the Company or the RSU Scheme Trustee within the time period and in a manner prescribed in the grant letter. Upon the receipt from the selected person of a duly executed acceptance notice, the RSUs are granted to such person, who becomes a grantee pursuant to the RSU Scheme.

To the extent that the offer of grant of RSUs is not accepted by any selected person within the time period or in a manner prescribed in the grant letter, it shall be deemed that such offer has been irrevocably declined and thus the RSUs have immediately lapsed.

10. Restrictions on grants

The Board shall not grant any RSUs to any selected person in any of the following circumstances:

- (a) the requisite approvals for such grant from any applicable regulatory authorities have not been obtained;
- (b) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of RSUs or in respect of this RSU Scheme, unless (the Board determines otherwise);
- (c) the grant would result in a breach by the Group or any of its Director's or senior management of any applicable laws, regulations or rules; or
- (d) the grant would result in breach of the RSU Limit or other rules of this RSU Scheme.

11. *Rights attached to Awards*

A grantee does not have any contingent interest in any Shares underlying RSUs unless and until these Shares are actually transferred to the grantee from the RSU Scheme Trustee. Furthermore, a grantee may not exercise any voting right in respect of the Shares underlying RSUs and, unless otherwise specified by the Board in its sole discretion in the grant letter to the grantee, nor do they have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the RSUs.

12. *Rights attached to Shares*

Any Shares transferred to a grantee in respect of any RSUs shall be subject to the provisions of the Articles and will rank *pari passu* with the fully paid Shares in issue on the date of the transfer or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members, and accordingly will entitle the grantee to participate in all dividends or other distributions paid or made on or after the date of transfer or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members.

13. *Awards to be personal to grantees*

Awards granted pursuant to this RSU Scheme shall be personal to each grantee and shall not be assignable or transferrable, except assignment or transfer from each grantee to a company wholly-owned by him or between two companies both of which are wholly-owned by him. Notwithstanding the above, the grantees are prohibited from selling, transferring, assigning, charging, mortgaging, encumbering, hedging or creating any interest in favor of any other person over or in relation to any property held by the RSU Scheme Trustee on trust for the grantees, Awards, Shares underlying any Awards or any interest or benefits therein.

14. *Vesting*

The Board has the sole discretion to determine the vesting period and vesting criteria (if any) for any grant of Award(s) to any grantee, which may also be adjusted and re-determined by the Board from time to time. The RSU Scheme Trustee shall administer the vesting of RSU(s) granted to each grantee pursuant to the vesting period and vesting criteria (if any) determined by the Board.

Upon fulfillment or waiver of the vesting period and vesting criteria (if any) applicable to a grantee, a vesting notice will be sent to the grantee by the Board, or by the RSU Scheme Trustee under the authorization and instruction by the Board confirming (a) the extent to which the vesting period and conditions have been fulfilled or waived and (b) the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares) or the amount of cash the grantee will receive. The grantee is required to execute, after receiving the vesting notice, certain documents set out in the vesting notice that the Board considers necessary (which may include, without limitation, a certification to the Group that he or she has complied with all the terms and conditions set out in this RSU Scheme and the grant letter).

Subject to the execution of documents by the grantee set out above, the Board may decide at its sole discretion to:

- (a) direct and procure the RSU Scheme Trustee to transfer the Shares underlying the RSUs (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares) to the grantee or his or her wholly-owned entity; or
- (b) pay, or direct and procure the RSU Scheme Trustee to pay, to the grantee in cash an amount which is equivalent to the value of the Shares set out in paragraph (a) above (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares).

In the event that the grantee fails to execute the required documents within seven days after receiving the vesting notice, the vested RSUs will lapse.

15. Acceleration of vesting

Subject to the events set out in paragraphs (a) to (d) (inclusive) upon which acceleration of vesting share automatically shall occur, the Board has the sole discretion to determine, at any time, to accelerate the vesting of any RSUs granted to any grantee for various considerations.

(a) Rights on a takeover

In the event a general offer by way of takeover, merger or otherwise in a like manner (other than by way of scheme of arrangement set out as below) is made to all the shareholders of the Company (or shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and the general offer to acquire the Shares is approved and the offer becomes or is declared unconditional in all respects prior to the vesting, the Award(s) of the grantee will vest immediately to the extent specified in a notice given by the Company.

(b) Rights on a scheme of arrangement

In the event a general offer for Shares by way of scheme of arrangement is made by any person to all the shareholders of the Company and has been approved by the necessary number of shareholders at the requisite meetings prior to the vesting, the RSUs of the Grantee will vest immediately to be extent specified in a notice given by the Company.

(c) Rights on a compromise or arrangement

If a compromise or arrangement between the Company and its shareholders or creditors is proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies and a notice is given by the Company to its shareholders to convene a general meeting to consider and if thought fit approve such compromise or arrangement prior to the vesting, the RSUs of the grantee will vest immediately to be extent specified in a notice given by the Company.

(d) *Rights on a voluntary winding-up*

In the event that an effective resolution is passed during the RSU Scheme Period for voluntarily winding-up of the Company (other than for the purposes of a reconstruction, amalgamation or scheme of arrangement as set out above), prior to the vesting, the RSUs of the grantee will vest immediately to the extent specified in a notice given by the Company provided that all unexercised RSUs must be exercised and effected by no later than one Business Day before the day of the proposed general meeting to be convened for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company (or to pass written resolutions of the shareholders to the same effect).

16. *Lapse of RSUs*

Subject to the rules under this RSU Scheme, an Award will automatically lapse immediately upon the occurrence of the following:

- (a) termination of employment or service of any grantee due to his fraud, dishonesty or gross negligence prior to the vesting date of the granted Awards;
- (b) termination of employment or service of any grantee for any reason other than those reasons set out in sub-paragraph (a) above;
- (c) the grantee knowingly performs any act that may confer any competitive benefit or advantage upon any competitor of the Group, or becomes an officer, director, employee, consultant, adviser, partner of, or a stockholder or other proprietor owning more than a 5% interest in any competitor of the Group;
- (d) the grantee makes any attempt or takes any action to sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favor of any other person over or in relation to any Ordinary Shares underlying the granted Awards or any interests or benefits in relation to the Awards; or
- (e) Commencement of winding-up of the Company.

If the event set out in sub-paragraph (b) above occurs, the Award shall lapse on a proportional basis, in other words, based on the proportion in which the time period commencing from the grant date of the Award to the occurrence of such event bears to the entire vesting period set out in the grant letter to the grantee provided that other vesting criteria (if any) have been fulfilled or waived as of the date of occurrence of such event.

In all other events, the entire granted Awards shall lapse automatically.

17. *Cancellation of RSUs*

The Board may at its sole discretion cancel any RSU that has not vested or lapsed, provided that:

- (a) the Company or its appointees pay to the grantee an amount equal to the fair value of the RSU at the date of the cancellation as determined by the Board, after consultation with an independent financial adviser appointed by the Board;

- (b) the Company or its appointees provide to the grantee a replacement RSU of equivalent value to the RSU to be cancelled; or
- (c) the Board makes any arrangement as the grantee may agree in order to compensate him for the cancellation of the RSU.

18. *Shares to be reverted to Winmate*

If Listing shall not occur on or before 30 September 2015 or such other date that the Board may determine, then the Board will procure that all the Shares transferred by Winmate to RSU Scheme Nominee for the RSU Scheme be transferred back to Winmate or as Winmate may direct.

19. *Reorganisation of capital structure*

In the event of any alteration in the capital structure of the Company, such as capitalisation issue, rights issue, consolidation, sub-division and reduction of the share capital of the Company, the Board may make equitable adjustments that it considers appropriate, at its sole discretion, including:

- (a) make arrangements for the grant of substitute RSUs of equivalent fair value to an Award in the purchasing or surviving company;
- (b) reach such accommodation with the grantee as it considers appropriate, including the payment of cash compensation to the grantee equivalent to the fair value to any RSU to the extent not vested;
- (c) waive any conditions to vesting of any RSU to the extent not already vested; or
- (d) permit the continuation of an Award in accordance with its original terms.

20. *Restrictions on grants*

The Board shall not grant any RSUs to any selected person in any of the following circumstances:

- 20.1 after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced by the Company in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:
 - (a) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and
 - (b) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules).

20.2 if any RSU is proposed to be granted to a Director, it shall not be granted on any day on which the financial results of the Company are published and during the period of:

- (a) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (b) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

20.3 Grants to Connected Persons

Any grant of an Award to any Director, chief executive or Substantial Shareholder of the Company, any of their respective associates, or any other connected person, shall be subject to the prior approval of the independent non-executive Directors (excluding the independent non-executive Director who is the proposed grantee of such RSUs) and shall otherwise be subject to compliance with the requirements of the Listing Rules.

Notwithstanding the above, any grant of RSUs to a Director as part of such Director's remuneration under his/her service contract with the Company shall be exempted from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.31(6) of the Listing Rules.

21. Alteration of or amendment to the RSU Scheme

The terms of the RSU Scheme may be altered, amended or waived in any respect by the Board provided that such alteration, amendment or waiver shall not affect any subsisting rights of any grantee thereunder. Any alteration, amendment or waiver to the RSU Scheme of a material nature shall be approved by the shareholders of the Company. The Board shall have the right to determine whether any proposed alteration, amendment or waiver is material and such determination shall be conclusive.

22. Termination of the RSU Scheme

This Scheme may be terminated at any time prior to the expiry of the RSU Scheme Period by the Board provided that such termination shall not affect any subsisting rights of any grantee hereunder. For the avoidance of doubt, no further Awards shall be granted after the RSU Scheme is terminated but in all other respects the provisions of the RSU Scheme shall remain in full force and effect. All RSUs granted prior to such termination and not vested on the date of termination shall remain valid. In such event, the Board shall notify the RSU Scheme Trustee and all grantees of such termination and how the Shares held by the RSU Scheme Trustee on trust and other interests or benefits in relation to the outstanding RSUs shall be dealt with.

23. General

As of the Latest Practicable Date, no Awards have been granted or agreed to be granted by our Company pursuant to the RSU Scheme.

Details of the RSU Scheme, including particulars and movements of the Awards granted during each financial year of our Company, and our employee costs arising from the grant of the Awards will be disclosed in our annual and interim report.

E. SHARE OPTION SCHEME

We conditionally approved and adopted the Share Option Scheme on 9 June 2015, which will become effective subject to (i) the Listing Committee granting the listing of, and permission to deal in, the new Shares; and (ii) the commencement of the trading of the Shares on the Stock Exchange; and (iii) the completion of the Capitalisation Issue.

The maximum number of Shares to be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date (assuming that Over-allotment Option is not exercised) (i.e. not exceeding 85,000,000 Shares on the basis that the listed issued share capital as at the Listing Date is 850,000,000 Shares).

The following is a summary of the principal terms of the Share Option Scheme.

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide incentives or rewards to the Participants thereunder for their contribution to the Group.

2. Participants

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of Participants, to take up Options to subscribe for Shares:

- (a) any Eligible Employee;
- (b) any non-executive director (including any independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity;
- (c) any supplier of goods or services to any member of the Group or any Invested Entity;
- (d) any customer of the Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and
- (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

and, for the purposes of the Share Option Scheme, the Options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants (the “Participant(s)”).

The basis of eligibility of any of the above classes of Participants to the grant of any Options shall be determined by the Directors from time to time on the basis of their contribution to the development and growth of the Group and the Invested Entity.

3. Maximum Number of Shares Available for Subscription

- 3.1 The maximum number of Shares to be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date (assuming that Over-allotment Option is not exercised) (i.e. not exceeding 85,000,000 Shares on the basis that the listed issued share capital as at the Listing Date is 850,000,000 Shares).

Option lapsed in accordance with the Share Option Scheme in any other share option scheme if the Company will not be counted for the purpose of calculating the 10% limit under the paragraph 3.1.

- 3.2 Subject to sub-paragraph 3.1 above and without prejudice to sub-paragraph 3.3 below, the Company may seek approval of the Shareholders in general meeting to refresh the 10% limit Limit provided that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as “refreshed” must not exceed 10% of the Shares in issue as at the date of approval of such refreshed limit and for the purpose of calculating the limit as “refreshed”, Options (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme and any other share option schemes of the Company) previously granted under the Share Option Scheme and any other share option schemes of the Company will not be counted for calculating the limit as refreshed.
- 3.3 Subject to sub-paragraph 3.1 above and without prejudice to sub-paragraph 3.2 above, the Company may seek separate Shareholders’ approval in general meeting to grant Options beyond the 10% limit to Participants specifically identified by the Company before such approval is sought.

4. Maximum Entitlement of Each Participant

The total number of Shares issued and which may fall to be issued upon exercise of the Options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding Options) to each Participant in any 12-month period must not exceed 1% of the issued share capital of the Company for the time being (the “**Individual Limit**”). Any further grant of Options to a Participant in excess of the Individual Limit (including exercised, cancelled and outstanding Options) in any 12-month period up to and including the date of such further grant must be subject to Shareholders’ approval in general meeting of the Company with such Participant and his associates abstaining from voting. The number and terms (including the Subscription Price) of the Options to be granted to such Participant must be fixed before Shareholders’ approval and the date of the meeting of the Board for proposing such further grant of Options should be taken as the date of Offer for the purpose of calculating the Subscription Price.

5. Grant of Options to Connected Persons

- 5.1 Any grant of Options under the Share Option Scheme to a Director, chief executive (other than a proposed Director or a proposed chief executive of the Company) or substantial Shareholder of the Company, or any of their respective associates, must be approved by independent non-executive Directors (excluding any independent non-executive Director who is the Grantee of the Options).

5.2 Where any grant of Options to a substantial Shareholder or an independent non-executive Director of the Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the Shares in issue; and
- (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000,

such further grant of Options must be approved by the Shareholders in a general meeting. All connected persons of the Company must abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the relevant circular.

For the purpose of seeking Shareholders' approval in general meeting under subparagraphs 3.2 and 3.3, paragraph 4 and sub-paragraph 5.2 above, the Company must send a circular to the Shareholders containing the information required under the Listing Rules.

6. Time of Acceptance and Exercise of an Option

An Option Offer is open for acceptance by a Participant for the period specified in the letter of Option Offer provided that the Option Offer shall not be open for acceptance after the expiry of the Share Option Scheme set out in paragraph 9 or after the Share Option Scheme has been terminated in accordance with the provisions hereof. A consideration of HK\$1 is payable on acceptance of the Option Offer. An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each Option Grantee, which period may commence on the day on which the Option Offer is made but shall end in any event not later than 10 years from the Offer Date subject to the provisions for early termination thereof (the "Option Period").

Unless the Directors otherwise determined and stated in the Option Offer to a Participant, there is no minimum period for which an Option granted under the Share Option Scheme must be held before it can be exercised.

7. Performance Targets

Unless the Directors shall otherwise determine and state in the Option Offer to a Participant, a Participant is not required to achieve any performance targets before any Options granted under the Share Option Scheme can be exercised.

8. Subscription Price for Shares

The Subscription Price in respect of any particular Option shall be such price as determined by the Board in its absolute discretion at the time of the making of the Option Offer (which shall be stated in the letter containing the Option Offer) but in any case the Subscription Price shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Option Offer Date, which must be a Trading Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 Trading Days immediately preceding the Offer Date; and (iii) the nominal value of a Share. Without prejudice to the generality of the foregoing, the Board may grant Options in respect of which the Subscription Price is fixed at different prices for different periods during the Option Period provided that the Subscription Price for each of the different periods shall not be less than the Subscription Price determined in the manner set out herein.

9. Life of the Share Option Scheme

Subject to paragraph 16, the Share Option Scheme will remain in force for a period of 10 years commencing on 9 June 2015, that is, the date on which the Share Option Scheme is conditionally adopted by the Company at a general meeting of the Shareholders.

10. Ranking of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the articles of association of the Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue as from the day when the name of the Grantee is registered on the register of members of the Company and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date when the name of the Option Grantee is registered on the register of members of the Company other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date when the name of the Option Grantee is registered on the register of members of the Company, provided always that when the date of exercise of the Option falls on a day upon which the register of members of the Company is closed then the exercise of the Option shall become effective on the first Business Day on which the register of members of the Company is re-opened. A Share allotted upon the exercise of an Option shall not carry voting rights until the completion of the registration of the Grantee as the holder thereof.

11. Transferability of Options

An Option is personal to the Option Grantee and shall not be assignable and no Option Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option. Any breach of the foregoing shall entitle the Company to cancel any outstanding Option or part thereof granted to such Option Grantee.

12. Rights Attaching to Options***12.1 Rights on ceasing employment***

If the Option Grantee of an Option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death or retirement referred to in sub-paragraph 12.2 below or termination of employment on one or more grounds referred to in sub-paragraph 12.4 below before exercising his or her Option in full, the Option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless the Directors otherwise determine in which event the Option Grantee may exercise the Option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation, which will be taken to be the last day on which the Option Grantee was at work with the Group or the Invested Entity whether salary is paid in lieu of notice or not.

12.2 Rights on retirement

If the Option Grantee ceases to be a Participant by reason of retirement, in accordance with his or her contract of employment or upon expiration of his or her term of directorship (retirement by rotation pursuant to the articles of association of the Company or applicable laws excepted), before exercising the Option in full, the Option Grantee shall be entitled within a period of 12 months from the date of retirement to exercise the Option (to the extent which has become exercisable and not already exercised).

12.3 Rights on death

If the Option Grantee ceases to be a Participant by reason of death before exercising the Option in full (provided that none of the events which would be a ground for termination of his or her employment under sub-paragraph 12.4 below arises prior to his or her death), the legal personal representative(s) of this Option Grantee shall be entitled within a period of 12 months from the date of death (or such longer period as the Board may determine) to exercise the Option (to the extent which has become exercisable and not already exercised).

12.4 Rights on dismissal

If the Option Grantee is an Eligible Employee and ceases to be an Eligible Employee by reason of the termination of his or her employment on any one or more of the grounds that he or she has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his or her employment at common law or pursuant to any applicable laws or under the Eligible Employee's service contract with the Company or the relevant Subsidiary or the relevant Invested Entity, his or her Option will lapse automatically on the date the Option Grantee ceases to be an Eligible Employee.

12.5 Rights on a general offer

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all reasonable endeavours to procure that such offer is extended to all the Grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the Options granted to them, Shareholders of the Company. If such offer becomes or is declared unconditional, a Grantee shall be entitled to exercise his or her Option (to the extent not already exercised) to its full extent or to the extent specified in the Option Grantee's notice to the Company in exercise of his or her Option at any time before the close of such offer (or any revised offer). Subject to the above, an Option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes.

12.6 Rights on winding up

In the event of an effective resolution being proposed for the voluntary winding-up of the Company during the Option Period, the Option Grantee (or where permitted under sub-paragraph 12.3, his or her legal personal representative(s)) may, subject to the provisions of all applicable laws, by notice in writing to the Company at any time no later than two Business Days prior to the date on which such resolution is to be passed, exercise his or her Option (to the extent which has become exercisable and not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and shall accordingly be entitled, in respect of the Shares falling to be allotted and issued upon the exercise of his or her Option, to participate in the distribution of the assets of the Company available in liquidation *pari passu* with the Shares in issue on the date prior to the date of the passing of the resolution to wind-up the Company. Subject to the above, an Option will lapse automatically (to the extent not exercised) on the date of the commencement of the winding-up of the Company.

12.7 Rights on compromise or arrangement between the Company and its creditors

In the event of a compromise or arrangement between the Company and its creditors (or any class of them) or between the Company and its Shareholders (or any class of them), in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all Option Grantees on the same day as it gives notice of the meeting to its Shareholders or creditors to consider such a scheme or arrangement, and thereupon any Option Grantee (or his or her legal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date falling 2 calendar months thereafter and the date on which such compromise or arrangement is sanctioned by the court be entitled to exercise his or her Option (to the extent which has become exercisable and not already exercised), but the exercise of the Option shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. The Company may thereafter require such Option Grantee to transfer or otherwise deal with the Shares issued as a result of such exercise of his or her Option so as to place the Option Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement. Subject to the above, an Option will lapse automatically (to the extent not exercised) on the date when the proposed compromise or arrangement becomes effective.

13. Lapse of Option

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (a) the expiry of the periods or dates referred to in paragraphs 6 and 12; and
- (b) the date on which a breach of the provision of restriction on transfer and assignment of an Option referred to in paragraph 11 is committed.

14. Reorganisation of Capital Structure

In the event of a capitalisation issue of profit or reserves, rights issue, consolidation, subdivision or reduction of capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party), such corresponding adjustments (if any) shall be made in:

- (a) the number of Shares subject to the Options so far as unexercised; and/or
- (b) the Subscription Price; and/or
- (c) the maximum number of Shares referred to in paragraphs 3 and 4,

as an independent financial adviser or the auditors of the Company shall certify in writing to the Board to be in their opinion fair and reasonable, provided that any adjustments shall be made on the basis that the proportion of the issued share capital of the Company to which a Grantee is entitled after such adjustments shall remain the same as that to which he was entitled before such adjustments and no such adjustments shall be made the effect of which would be to enable any Share to be issued at less than its nominal value and no such adjustments will be required in circumstances where there is an issue of Shares or other securities of the Group as consideration in a transaction. In addition, in respect of any such adjustments as provided in this paragraph 14, other than any made on a capitalisation issue, the independent financial adviser or auditors of the Company must confirm in writing to the Directors that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

15. Cancellation of Options

Any cancellation of Options granted but not exercised shall require approval of the Board. Cancelled Options may be re-issued after such cancellation has been approved, provided that re-issued Options shall only be granted in compliance with the terms of the Share Option Scheme and the Listing Rules. Where the Company cancels Options and issues new ones to the same Option Grantee, the issue of such new Options may only be made under a scheme with available unissued Options (excluding the cancelled Options) within the limit approved by Shareholders as mentioned in paragraph 3. For the avoidance of doubt, Options which have been exercised shall not be included as cancelled Options.

16. Termination of the Share Option Scheme

The Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

17. Alteration of the Share Option Scheme

17.1 The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (a) the terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of Grantees of the Options except with the prior approval of the Shareholders in general meeting;
- (b) any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of Options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme; and
- (c) any change to the authority of the Directors in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

17.2 The amended terms of the Share Option Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.

18. General

As of the Latest Practicable Date, no Option Offer has been granted or agreed to be granted by our Company pursuant to Share Option Scheme.

F. OTHER INFORMATION**1. Tax and other indemnity**

The Founders and Winmate (together, the “**Indemnifiers**”) have entered into the Deed of Indemnity in favour of our Group (being one of the material contracts referred to in paragraph headed “B. Further Information About Our Business — 1. Summary of material contracts” of this Appendix), pursuant to which the Indemnifiers jointly and severally indemnify each of the members of our Group against, among other things:

- (a) taxation falling on any member of our Group in respect of or by reference to any income, profit or gains earned, accrued or received (or alleged to have been earned, accrued or received) on or before the date on which the Global Offering becomes unconditional (the “**Effective Date**”) and all reasonable costs, expenses and losses which any member of our Group may properly incur in connection therewith; and
- (b) any depletion or reduction in value of the assets of any member of the Group or increase in their respective liabilities, or any loss or depreciation of any relief against estate duty of any member of the Group, as a consequence of, and in respect of any amount which the members of the Group or any of them may become liable to pay, being any liability for Hong Kong estate duty which might be incurred by any member of the Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of the Group and any claim which has arisen or may arise wholly or partly in respect of or in consequence of any act or omission occurring at any time on or before the Effective Date.

The Indemnifiers will, however, not be liable under the Deed of Indemnity to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such taxation liability in the audited combined accounts of any member of our Group for the year ended 31 December 2014; or
- (b) the taxation falling on any member of our Group on or after 31 December 2014 except liability for such taxation which would not have arisen but for any act or omission of, or transaction voluntarily effected by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction) prior to the Effective Date without the prior written consent or agreement of the Indemnifiers other than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before 31 December 2014; or
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 31 December 2014; or
 - (iii) consisting of any of the members of our Group ceasing, or being deemed to cease, to be a member of any group of companies or being associated with any other company for the purposes of any matter of taxation on or before 31 December 2014; or

- (c) any provisions or reserve made for taxation in the audited accounts of any member of our Group for the year ended 31 December 2014 which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter; or
- (d) the taxation liability arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in law or practice coming into force after the Effective Date or any retrospective increase in tax rates coming into force after the Effective Date.

2. Estate duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong, pursuant to which estate duty ceased to be chargeable in Hong Kong in respect of the estates of persons dying on or after that date. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of Shares whose death occur on or after 11 February 2006.

3. Stamp duty

Dealings in the Shares will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.

Under the Cayman Islands law currently in force, there is no stamp duty payable in the Cayman Islands on transfers of Shares of Cayman Islands companies except those which had interests in land in the Cayman Islands.

4. Litigation

As of the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

5. Sole sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus. The Sole Sponsor has confirmed that it is independent of our Company as required under Rule 3A.07 of the Listing Rules. The Sole Sponsor is entitled to a fee of HK\$6.0 million for acting as our sponsor.

6. Preliminary expenses

Our estimated preliminary expenses are approximately HK\$56,200 and were paid by our Company.

7. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

8. Qualifications of experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given their opinions or advice in this prospectus are as follows:

Name	Qualifications
Haitong International Capital Limited	Licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity for the purpose of SFO
Deloitte Touche Tohmatsu	Certified public accountants
Li, Wong, Lam & W. I. Cheung	Legal advisers as to Hong Kong laws
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Commerce & Finance Law Offices	Legal advisers as to the laws of the PRC
Saikrishna & Associates	Legal advisers as to the laws of India
Nixon Peabody LLP	Legal advisers as to the laws of U.S.
DLA Piper	Legal advisers as to the applicability of sanctions administered by OFAC, the laws of other countries and under international law, including U.S., European Union, the United Nations and Australia, on our Group's sales of products to customers in certain countries during the Track Record Period
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
DTZ Debenham Tie Leung Limited	Independent property valuer

9. Consents

Each of Haitong International Capital Limited, Deloitte Touche Tohmatsu, Li, Wong, Lam & W. I. Cheung, Conyers Dill & Pearman, Commerce & Finance Law Offices, Saikrishna & Associates, Nixon Peabody LLP, DLA Piper, Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. and DTZ Debenham Tie Leung Limited has given and has not withdrawn its respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or opinion and/or the references to their names included herein in the form and context in which they are respectively included.

10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. Reserves available for distribution

Our Company was incorporated on 12 August 2014 and is an investment holding company. There were no reserves available for distribution to the Shareholders as of the Latest Practicable Date.

12. Selling Shareholder

Favor Gain is a company incorporated on 2 April 2008 under the laws of the BVI with limited liability with its registered office situated in P.O. Box 3340, 2nd Floor, Palm Grove House, Road Town, Tortola, British Virgin Islands, owned by WPPE and WPX, funds managed by Warburg Pincus LLC, a global private equity firm. Please refer to the section headed “History, Development and Reorganisation — Further Information on Favor Gain” in this prospectus for further information on Favor Gain. The number of Sale Shares to be initially offered for sale by Favor Gain under the International Placing is 8,500,000 Shares.

13. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the issue of this prospectus:
- (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founders or management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
 - (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.
- (b) Save as disclosed in this prospectus, our Group had not issued any debentures nor did we have any outstanding debentures or any convertible debt securities.

- (c) Our Directors confirm that:
- (i) there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2014 (being the date to which the latest audited consolidated financial statements of our Group were prepared);
 - (ii) there is no arrangement under which future dividends are waived or agreed to be waived; and
 - (iii) there has not been any interruptions in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months preceding the issue of this prospectus.
- (d) The principal register of members of our Company will be maintained in the Cayman Islands by Codan Trust Company (Cayman) Limited and a Hong Kong branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands.
- (e) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.
- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (g) The Directors have been advised that, under the Companies Law, the use of a Chinese name by our Company for identification purposes only does not contravene the Companies Law.

14. Bilingual prospectus

The English and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) copies of each of the material contracts referred to in the section headed “B. Further Information About Our Business — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (c) the written consents referred to in the section headed “F. Other Information — 9. Consents” in Appendix IV to this prospectus; and
- (d) a statement of particulars of the Selling Shareholder.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Messrs. Li, Wong, Lam & W.I. Cheung at 22/F., Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association of our Company;
- (b) the accountants’ report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the assurance report in relation to unaudited pro forma financial information issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of the Group for the three years ended 31 December 2014;
- (e) the PRC legal opinions issued by our PRC Legal Advisers in respect of general matters of our Group;
- (f) the legal opinions issued by Li, Wong, Lam & W.I. Cheung, our Hong Kong Legal Advisers in respect of Hong Kong laws and regulations applicable to our Group;
- (g) the legal opinions issued by Saikrishna & Associates, our Indian legal advisers in respect of the Indian laws and regulations applicable to our Group;
- (h) the legal opinions issued by Nixon Peabody LLP, our U.S. legal advisers in respect of the U.S. laws and regulations relevant to our Group;
- (i) the legal memorandum issued by DLA Piper, our legal advisers on the applicability of sanctions administered by OFAC, the laws of other countries and under international law, including U.S., European Union, the United Nations and Australia, on our Group’s sales of products to customers in certain countries during the Track Record Period;

- (j) the Companies Law;
- (k) the letter prepared by Conyers Dill & Pearman, our Cayman Legal Advisers, summarizing certain aspects of the Companies Law as referred to in Appendix III to this prospectus;
- (l) the material contracts referred to in the section headed “B. Further information about our Business” in Appendix IV to this prospectus;
- (m) the written consents referred to in the section headed “F. Other information — 9. Consents” in Appendix IV to this prospectus;
- (n) the service contracts and letters of appointment of our Directors;
- (o) the Share Option Scheme;
- (p) the RSU Scheme;
- (q) the Frost & Sullivan Report;
- (r) the letter from DTZ Debenham Tie Leung Limited relating to the lease of PRC Premises; and
- (s) a statement of particulars of the Selling Shareholder.

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