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

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

Stock code 股份代號：6133

ANNUAL REPORT
2015
年報

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Rong Xiuli *(Chairperson)*
Rong Shengli *(Chief executive officer)*
Tang Shun Lam (re-designated on 19 March 2016)

Independent Non-executive Directors

Hon Kwok Ping, Lawrence
Lam Yiu Kin
Tsang Yat Kiang

COMPANY SECRETARY

Chui Man Lung, Everett

AUDIT COMMITTEE

Lam Yiu Kin *(Chairman)*
Tsang Yat Kiang
Hon Kwok Ping, Lawrence

REMUNERATION COMMITTEE

Tsang Yat Kiang *(Chairman)*
Hon Kwok Ping, Lawrence
Lam Yiu Kin
Rong Xiuli

NOMINATION COMMITTEE

Tsang Yat Kiang *(Chairman)*
Hon Kwok Ping, Lawrence
Lam Yiu Kin
Rong Xiuli

RISK MANAGEMENT COMMITTEE

Hon Kwok Ping, Lawrence *(Chairman)*
Rong Xiuli
Rong Shengli

AUTHORISED REPRESENTATIVES

Rong Xiuli
Hon Kwok Ping, Lawrence

AUDITOR

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

PRINCIPAL BANKERS

Shanghai Commercial Bank
China Everbright Bank

LEGAL ADVISERS

As to Hong Kong Law
Li, Wong, Lam & W. I. Cheung

As to PRC Law
Commerce & Finance Law Offices

As to Cayman Islands Law
Conyers Dill & Pearman

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

Corporate Information

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite B, 16/F. W Square,
314-324 Hennessy Road
Wanchai, Hong Kong

SHARE REGISTRARS

Principal Share Registrar and Transfer Office

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

6133

COMPANY'S WEBSITE

www.vital-mobile.com

Financial Summary

For the year ended 31 December 2015

	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
CONSOLIDATED RESULTS				
Revenue	**1,408,339**	1,916,183	1,368,897	663,579
Profit before tax	**216,520**	193,660	97,529	42,098
Income tax expense	**(35,621)**	(37,435)	(14,656)	(6,339)
Profit and total comprehensive income for the year	**180,899**	156,225	82,873	35,759
Attributable to:				
Equity holders of the Company	**856,984**	297,464	(43,586)	48,579

	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES				
Total assets	**1,986,947**	540,429	114,911	114,041
Total liabilities	**(1,129,963)**	(242,965)	(158,497)	(65,462)
	856,984	297,464	(43,586)	48,579
Equity attributable to:				
Equity holders of the Company	**856,984**	297,464	(43,586)	48,579

Chairman's statement

MARKET AND INDUSTRY OVERVIEW

In 2015, the export volume in the mobile handset design and manufacturing industry continued to grow. However, the pace of growth in market size slowed. According to the statistical data on import and export of mobile handsets from the General Administration of Customs of the PRC, as of the 3rd quarter of 2015, the accumulated export volume of mobile handsets in the PRC was 336.45 million units, increased by 1.72% yoy, totaling approximately US$27.686 billion. The global stock market crash occurred in June led to a downturn in the economy, which dragged down the average profit of smartphone operators worldwide in the 2nd half of 2015. According to a report by Frost & Sullivan, an independent market research company, it is expected that the average per unit selling price of smartphones worldwide will drop from approximately US$291.1 in 2014 to US$214.7 in 2019. It is indicated that the selling price will continue to drop in the coming four years.

In 2015, the number of 4G network connections worldwide exceeded 1 billion, with the market size of 4G smartphones reached 450 million units. With 4G network becoming increasingly popular and the PRC smartphones entering the international market, competition among local brands in foreign markets became increasingly fierce. In selecting partners for outsourcing ODM processes, mobile handset ODM suppliers highly experienced in competing with smartphone suppliers in the PRC continue to be the best choice for the local smartphone suppliers.

However, given the new round of handset upgrade triggered by the proposed launch of 4.75G network on a pilot basis in emerging markets (including India and the Philippines) in the 2nd half of 2016 and the expected gradual introduction of 5G network to the market within 2 to 3 years, the cost burdens of the mobile handset industry arising from the R&D of 4.75G/5G mobile handsets will be higher by then. Meanwhile, the smartphone pre-installed software market in the PRC has been growing rapidly in recent years. Such market is worth approximately RMB2,500 to 3,000 million a year. High-quality mobile handset software services are also sought after by mobile handset suppliers. Therefore, apart from continuously developing mobile handset hardware business, many enterprises actively grow their mobile handset software development business in order to enhance their ability to achieve long term earning growth.

2016 is considered as a year marked by the boom of virtual reality (VR) and augmented reality (AR) technologies. Driven by such robust growth, the wearable device market will flourish and scale new heights. According to estimates, the output value of VR software and hardware worldwide will reach US$6.7 billion in 2016. In particular, development in the software market will be booming. According to a report by Goldman Sachs Group Inc., it is estimated that the VR and AR software market worldwide will be worth US$72 billion in 2025, and that VR devices will be the most popular kind of wearable device in 2016. In addition, according to a report published by China Wearable Computing Innovation & Strategic Alliance, it is estimated that the PRC wearable device market will be worth more than approximately RMB22.8 billion in 2016, increased from approximately RMB13.56 billion in 2015. Given such increasingly expanding market size, various mobile handset design and manufacturing enterprises will be attracted to the market in the future. These enterprises will endeavor to gain share of the market.

Chairman's statement

Fueled by the popularity of 4G technologies, the number of mobile online shopping users in the PRC has reached 340 million. This suggests that the mobile E-commerce market has huge potential for development and should not be neglected. According to a report by Bizrate, an E-commerce consumer review website in the USA, the proportion of mobile E-commerce orders in total online shopping orders will rise to 68% in 2016, with smartphones being the key type of gadget used for online shopping. Developing software for mobile handset online transactions to bring the transaction parties an experience on professional and high-quality order execution service will become another new development direction in the mobile handset industry. Moreover, the "smart home" equipment and service market with an annual growth rate of 8% to 10% worldwide is a software and hardware R&D area that a number of enterprises intend to cover.

Taking the above into consideration, in order to maintain its competitive advantage, Vital Mobile Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), in addition to devoting itself to its major business – smartphone hardware, will also take full advantage of the PRC's powerful strengths in manufacturing and software development to provide the target customers with high quality and high-value-added supply chain management services (including services in relation to dedicated launchers and ROM modifications, online transaction software development and wearable device (with mobile telecommunication functions) development). The Group also intends to provide the customers with add-on services in addition to mobile handset hardware by developing mobile handset software (with the application of VR and AR technologies) and "smart home" equipment, thereby fully meeting the demanding requirements of these customers.

BUSINESS OVERVIEW

Smartphone product business transitioning from 3G to 4G

The Group is principally engaged in the business of mobile handset original design and manufacturing ("ODM"). Targeting the overseas markets, it sells products which are under the clients' own or authorized brand names. Its customers are mainly top local branded mobile handset suppliers, telecommunication operators (as its direct customers or through their respective authorized agents) and trading companies in each oversea market. These customers come from more than 25 countries, especially emerging markets with a low smartphone penetration rate (such as Central Europe, Eastern Europe, Central America, Latin America and the Asia-Pacific region).

The number of 4G smartphone users grew at a staggering rate, driving the sales volume of 4G products to increase. In contrast, with a decreased sales volume and a slim margin, 3G smartphones have clearly lost shine in the marketplace. In order to stay ahead in terms of market sales, the Group has taken the lead in transitioning its smartphone product business from 3G to 4G in the 1st half of 2015. The majority of the Group's business is high-end business. Regarding business strategies, while the business model of most of the competing firms in the same industry is that they build their own brands in each geographical market, the Group puts a strong emphasis on supporting the top local brands in each area. Therefore, the Group is able to only put not more than 0.17% of its revenue in marketing and advertising, thereby enjoying huge cost advantages. Such business model works very well, which can significantly lower the risks of substantial impairment for over-stocking in distribution channels.

Chairman's statement

For the year ended 31 December 2015, the Company's net profit was maintained at a stable level, with its gross profit and gross profit margin amounting to approximately RMB222.6 million and 15.8% respectively, decreased by approximately RMB37.7 million and increased by 2.2% respectively when compared to 2014. The decrease in gross profit is mainly due to the following reasons: (i) the average selling prices of 3G products decreased along with the progression of their product life cycles gradually, with their shipment volume down from 965,320 units in the 1st half of 2015 to 523,053 units in the 2nd half of 2015. The orders came from countries with a low 4G network penetration rate including India, South America and Africa. After completing the delivery of the re-ordered products of the above obsolete design, the Group ceased to accept new orders of the same type. (ii) The acquisition of the Group's client (the Group was its supplier of smartphone component packs) by a multinational technology company. The management of the Group expects that there may be changes in such client's development plan regarding its mobile handset business. As such, the Group intentionally decreased the sales to such client to avoid any uncertainties arising from its internal restructuring. Thus, the Group's sales of smartphone component packs decreased.

However, the continued increase in shipment volume of 4G smartphones in the 2nd half of 2015 was sufficient to offset the decrease in sales of 3G products. Various new 4G networks in India and South America were launched in the 3rd quarter of 2015. In the 2nd half of 2015, the Group received a large number of 4G smartphone orders from the operators of the newly developed networks in India. The products were delivered in the 4th quarter of 2015. For the year ended 31 December 2015, the Company's profit and total comprehensive income for the year attributable to equity holders of the Company grew by approximately 15.8% over the last year.

The Group endeavors to raise its customer service quality and thus establishes local support teams in the areas where its major customers have presence. A representative office has been established in North America. One support center will be established in India and new representative office(s) will be established in Europe.

DEVELOPING MOBILE HANDSET SOFTWARE ADD-ON SERVICES

The PRC, as the largest component of global supply chain, encountered changes in its supply chain given the increasing staff costs in its manufacturing industry and the rapid rise of low-cost manufacturing centers (including ASEAN countries, India and Bangladesh). There may be decline in the PRC low-cost manufacturing industry in the future. In response to the change in supply chain, the Group has gradually integrated and expanded product lines since the 2nd half of 2015 to develop add-on services in addition to sales of mobile handset hardware. By making good use of the PRC's strengths in manufacturing and software development, target customers are provided with effective supply chain management which brings cost savings.

Chairman's statement

In the Group's business model, 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 are provided. The Group's operating margins were higher because higher margin products had been sold and there had been less unprofitable handset sales. It has been gradually providing the customers with services that will bring improved margins. On this, the Group has embarked on a program focusing on higher return business with its value propositions offered along the value stream of its products and services.

Given that information on the production costs of mobile handset hardware is becoming more transparent, engaging in the business of direct production, selling and trading of mobile handset hardware will not be as profitable as before. As such, in addition to sustaining its core business of supplying mobile handsets to the customers, the Group will put more emphasis on software development in relation to dedicated launchers and ROM modifications. Based on the "stock" Android OS, the Group develops different software programs to meet the customers' needs. For example, the "stock" Android date icon is static and does not change with the actual date accordingly. In contrast, the dynamic date widget developed by the Group can directly show the current date. Also, the "stock" 2D Android desktop is changed into a 3D one. This service targets customers who want to have their own product image and own market identity with respect to their phones, allowing the mobile handsets to have unique user specified UI, touch and feel. This optimization can enhance user experience in a more intuitive way.

Moreover, the Group provides different built-in Apps for the customers. The integration of these Apps and the back-end servers enhances the interconnection between the customers and their end users. Add-on services provided by the Group include the pre-installation of different games. This ultimately generates more profit for the customers as profit sharing between them and the game developers is made possible when the end users make in-app purchases in these games. Another way is to provide the end users with free general services including search and navigation using a "Different Apps, Different Browsers" approach. As the mobile handset hardware serves as an interface for the content providers to connect to the internet, advertising business can be developed through such interface. Therefore, when these content providers generate profit from third parties, they need to share profit with the Group's customers. The customers are very satisfied with the Group's software customization service as such service fuels the sales volume of their handsets in their local markets. The customers further request us to provide them with the relevant services targeting their other handset models. Therefore, software customization service will be the Group's another development focus as well as a new source of profit in 2016.

The above technologies enable the Group's customers to understand the user habits of their end users and be involved in software and content operations, thereby generating long term yields. In August 2015, the Group started to develop software for a particular product of its customer. In December 2015, there were realized sales. On this, the Group has achieved some degree of success. The Group will endeavor to help the strategic customers generate more income from end users through this service, thereby strengthening the cooperation between the Group and the strategic customers.

In the second half of 2015, the business environment deteriorated when compared with 2014. There were currency devaluation and economic down-turns in most of the emerging markets such as Russia, Brazil etc. In many cases, a number of the Group's direct customers required the Group to ship the products via Hong Kong. The linked exchange rate system makes Hong Kong a finance platform for these customers, allowing them to reduce the impact of exchange loss.

Currently, the Group has two outstanding R&D teams established in the PRC. The R&D team located in Shenzhen is mainly responsible for mobile handset software development and ROM modifications. For the year ended 31 December 2015, the research and development (R&D) expense of the Group accounted for 1.3% of its sales, up from 1.2% in the past year.

PROSPECTS

Capitalising on its market positioning strategy, the Group will further grow the customer base of its 4G smartphone business by expanding into markets worldwide, including Africa, Europe and North America. The Group will also keep abreast of the latest designs in these regions. In order to increase the average selling price of its products, and subsequently enhance its profitability, the Group will endeavor to improve the design of its products and meet the demanding quality requirements of its high-end customers. Currently, by making reference to the Chinese model, some operators in the USA distribute their products through open market channels. Therefore, the Group will endeavor to increase the number of its channel partners from one to three by making full use of this change in distribution channel model.

Having comprehensively considered the market development prospects, the Group will gradually expand itself into a platform software service provider from a supplier of only mobile handset hardware. The Group will gradually expand itself into a "Made in China" platform for international cooperation from a seller of only self-developed and self-designed products. Integrating the PRC's strengths in manufacturing, design and supply chain services across the whole industry chain with the Group's R&D, quality management and process management capabilities accumulated over the years, and also with the Group's strength in cooperating with various types of international customers, an integrated service platform with a focus on consumer electronics will be created for the world.

Chairman's statement

Given the increasing size of the software and hardware (VR and AR technologies) market, the Group intends to explore whether it is possible to develop mobile handset software with VR and AR technologies applied, and seeks to create more high-value-added mobile handset software programs. The Group also plans to allocate resources for the R&D of other artificial intelligence products, including "smart home" equipment and health management products, in order to diversify its income source. Moreover, in order to enhance its business strength, the Company is seriously considering to acquire business(es) with good potential through business mergers and acquisitions.

The successful listing of the Company is one of the important milestones in the development of the Group. Since its listing, the Group's capital strength has been greatly enhanced; the Group has become the first and only smartphone supplier listed in Hong Kong which provides high-end and one-stop ODM services and software development strategically targeting the overseas markets. Leveraging on the asset-light business model adopted by the Group as well as its leading R&D team in the industry, the management is confident in capturing market opportunities and continuously enhancing profitability, thereby laying a solid foundation for the development of the Group.

APPRECIATION

The Group's stable development in the past year is not possible without the staunch support of each shareholder, customer and partner. On behalf of the the board (the "Board") of directors (the "Directors" and each a "Director") of the Company, I hereby would like to extend my gratitude to them. I would also like to thank all members of the management as well as all staff members for their dedication and efforts through the ups and downs. The Board firmly believes that, under the leadership of the management, the Company will certainly grow stronger and achieve outstanding results again and again.

By Order of the Board
Rong Xiuli
Chairperson

Hong Kong, 23 March 2016

FINANCIAL REVIEW

Revenue

The Group's revenue was RMB1,408.3 million for the year ended 31 December 2015, representing a decrease of approximately RMB507.9 million or 26.5% when compared to RMB1,916.2 million for the year ended 31 December 2014, the following table sets forth the breakdown of our revenue by product type:

	For the year ended 31 December			
	2015		2014	
	RMB'000	**%**	RMB'000	%
Smartphones	**1,368,881**	**97.2**	1,717,971	89.7
Smartphone component packs	**1,562**	**0.1**	196,277	10.2
Mobile device components	**37,896**	**2.7**	1,935	0.1
Total	**1,408,339**	**100.0**	1,916,183	100.0

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

The Group's revenue from sale of smartphones was RMB1,368.9 million for the year ended 31 December 2015, decreased by approximately RMB349.1 million or 20.3% when compared to RMB1,718.0 million for 2014. Revenue for the year ended 31 December 2015 was mainly derived from 4G smartphones which amounted to RMB949.9 million, increased by 24.7% when compared to RMB762.0 million for 2014. Revenue from 3G smartphones was RMB419.0 million for the year ended 31 December 2015, decreased by RMB537.0 million when compared to RMB956.0 million for 2014. It was mainly due to the Group's strategic focus on the 4G market in 2015.

Management Discussion and Analysis

The following table sets forth an analysis of the breakdown of the Group's revenue for the year ended 31 December 2015 by geographical region:

	For the year ended 31 December			
	2015		2014	
	RMB'000	**%**	RMB'000	%
Hong Kong	**531,535**	**37.7**	500,331	26.1
Southeast Asia	**4,461**	**0.3**	93,727	4.9
South Asia	**90,737**	**6.4**	183,008	9.6
Taiwan	**248,392**	**17.6**	43,778	2.3
Other parts of Asia	**100,375**	**7.2**	131,183	6.8
Europe	**129,844**	**9.2**	259,877	13.6
South America	**2,316**	**0.2**	203,920	10.6
North America	**126,227**	**9.0**	424,465	22.1
Africa	**174,452**	**12.4**	75,894	4.0
Total	**1,408,339**	**100.0**	1,916,183	100.0

The Group's revenue generated from sales in Southeast Asia was RMB4.5 million for the year ended 31 December 2015, decreased by 95.2% when compared to RMB93.7 million for 2014. It was mainly due to the Group's completion of 3G smartphone orders of certain customers.

The Group's revenue generated from sales in South America was RMB2.3 million for the year ended 31 December 2015, decreased by 98.9% when compared to RMB203.9 million for 2014. Such decrease was mainly due to the sales of smartphone component packs to a certain customer in South America. As such customer was acquired by a multinational technology company, the Group foresees potential changes in its mobile business segment on its development plan. As such, the Group has intentionally decreased sales to such customer to reduce the impact of the uncertainties arising from its internal restructuring.

In Africa, the Group's revenue from sales was approximately RMB174.5 million for the year ended 31 December 2015, increased by approximately RMB98.6 million when compared to approximately RMB75.9 million for 2014. In Taiwan, the Group's revenue from sales was approximately RMB248.4 million for the year ended 31 December 2015, increased by approximately RMB204.6 million when compared to approximately RMB43.8 million for 2014. The increases were primarily due to the decision of the Company to put more emphasis on market development in Africa and Taiwan. Competition in the African and Taiwanese markets is less fierce, which allows for a higher gross margin ratio.

Gross profit and gross profit margin

	For the year ended 31 December			
	2015		2014	
	RMB'000	**%**	RMB'000	%
Smartphones	**221,371**	**16.2**	236,366	13.8
Smartphone component packs	**440**	**28.2**	23,728	12.1
Mobile device components	**758**	**2.0**	140	7.2
	222,569	**15.8**	260,234	13.6

The Group's gross profit was approximately RMB222.6 million for the year ended 31 December 2015, decreased by approximately 14.5% when compared to approximately RMB260.2 million for 2014. Gross profit margin was 15.8% for the year ended 31 December 2015, increased by 2.2% when compared to approximately 13.6% for 2014. Such increase was due to increased 4G smartphone sales volume with higher gross margin and the sound control on the cost of sales.

Research and development costs

Research and development costs mainly include R&D staff costs (including salaries and allowances, staff welfare and other staff related expenses) and product test costs. Research and development costs were approximately RMB18.6 million for the year ended 31 December 2015, decreased by approximately RMB3.4 million or 15.5% when compared to approximately RMB22.0 million for 2014. The decrease was mainly due to the decrease of (i) the product test costs for developing functionality and feasibility of the new design; and (ii) the staff cost.

Selling and distribution expenses

Selling and distribution expenses mainly include sales staff costs, freight charges, office expenses, marketing expenses and others. Selling expenses amounted to approximately RMB18.4 million for the year ended 31 December 2015, decreased by approximately RMB4.4 million when compared to approximately RMB22.8 million for 2014, representing a decrease of 19.3%. The decrease in selling and distribution expenses was primarily due to (i) a decrease in freight charges as a result of the decreased sales volume; and (ii) a decrease in marketing expenses to promote 4G products in the overseas markets.

Administrative expenses

Administrative expenses mainly cover staff costs for developing functionality and feasibility of the new design for administrative employees, audit fees and general office expenses. Administrative expenses amounted to approximately RMB11.7 million for the year ended 31 December 2015, increased by approximately RMB4.8 million or 69.6% when compared to approximately RMB6.9 million for 2014. It was mainly due to the increased general office expenses, rental expenses and auditor's remuneration.

Management Discussion and Analysis

Other income

Other income is mainly derived from the interest income of structured deposits, pledged bank deposits amounting to approximately RMB12.2 million.

Taxation

The Group's income tax was approximately RMB35.6 million for the year ended 31 December 2015, decreased by approximately RMB1.8 million or 4.8% when compared to approximately RMB37.4 million for 2014. Such decrease was mainly due to the decrease in tax rate. Since 北京百納威爾無線通信設備有限公司 (Beijing Benywave Wireless Communication Co., Ltd.*) ("Benywave Wireless") was recognised as "New and High Technology Enterprises" in 2015 and therefore it was entitled to apply a preferential tax rate of 15% for the year ended 31 December 2015. In comparison, the applicable domestic tax rate is 25% for the year ended 31 December 2014.

Liquidity and source of funding

As at 31 December 2015, the Group's total bank balances and cash amounted to approximately RMB41.2 million, increased by approximately RMB30.8 million when compared to approximately RMB10.4 million as at 31 December 2014. The variance of cash and bank balances for the year was mainly derived from operating activities.

As at 31 December 2015, the Group's current ratio (calculated based on the total current assets as of the respective dates divided by the total current liabilities as of the respective dates) was 1.8 as compared with 2.2 as at 31 December 2014.

As at 31 December 2015, the Group had a bank loan of RMB16.2 million, which was borrowed for the pre-payment of goods. The bank loan carried a fixed interest rate of 4.6% per annum with the maturity date on 16 March 2016, and was secured by the pledged bank deposits of USD3,000,000 (approximately RMB19,481,000).

Structured deposits

The amounts represent principal-protected RMB-denominated structured deposits placed by the Group in the licensed commercial banks in the PRC, which carry the interest which is linked to the three-month London Interbank Offer Rate ("LIBOR") with the maturity periods of 181 days, 364 days and 366 days respectively. At maturity, the Group is entitled to receive the principal plus interests. The expected annual interest rate for the structured deposits is indicated at 3.2% to 3.3%, however, the actual interest to be received is uncertain until maturity.

From July to December 2015, orders from certain key customers have been cancelled. The reasons given by our end customers for the cancellation of the orders are that the market conditions changed, so that (i) they need different hardware configurations; (ii) they requested different software and hardware combinations.

The prepayments, which had been paid to the suppliers for purchasing, were returned back to the Group. Accordingly, the Directors decided to subscribe the structured deposits in order to earn a more attractive return than current saving under the low interest rate trend and maximize the return on the Group's working capital surplus. As at 31 December 2015, the amounts of the bank deposits and the structured deposits are RMB180 million and RMB170 million, respectively.

* *for identification purposes only*

Share capital

As at 31 December 2015, the Company's share capital was as follows:

Number of issued shares: 850,000,000.

Dividend

No dividends were declared or paid during the year ended 31 December 2015. Subsequent to the end of the reporting period, final dividend of HK$42,970,000 (approximated to RMB36,000,000) in respect of the year ended 31 December 2015 is proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

Use of Proceeds from the Initial Public Offering ("IPO")

The shares of the Company (the "Shares") were successfully listed on the Main Board of the Stock Exchange on 26 June 2015 (the "Listing Date"). The net proceeds received from the IPO, after deducting underwriting fees and other expenses in relation to the IPO, were approximately HK$484 million (equivalent to approximately RMB382 million). Such net proceeds were deposited at the Group's bank accounts. For the year ended 31 December 2015, the net proceeds were used as follows:

Use:	% of the total amount of the net proceeds	Approximate amounts of the net proceeds (in HK$ million) (RMB equivalent)	Approximate amounts utilized (in HK$ million) (RMB equivalent)	Approximate remaining amount (in HK$ million) (RMB equivalent)
Purchasing raw materials to expand our raw material sourcing capacity	45.5	220(174)	220(174)	0(0)
Setting up overseas representative offices and/or establishing partnership with top local branded mobile handset suppliers or telecommunication operators in our key markets	27	131(103)	0(0)	131(103)
Expanding our research and development capabilities	12.5	61(48)	13(10)	48(38)
Setting up a new quality testing laboratory, employing additional quality testing personnel and purchasing additional quality testing equipment	5	24(19)	0(0)	24(19)
General working capital	10	48(38)	5(4)	43(34)
Total	100	484(382)	238(188)	246(194)

Management Discussion and Analysis

Foreign exchange exposure

With its certain operating transactions undertaken in foreign currencies and its bank balances of the proceeds from the global offering denominated in foreign currencies, the Group is exposed to foreign currency risk. Currently, the Group's sales quotation is made in USD instead of the local currency. In order to reduce the impact of foreign currency risk, the Group also ships and delivers products to overseas customers through third party trading parties in Hong Kong as FOB transactions. The Group does not use any derivative contracts to hedge against its exposure to currency risk. The management controls its currency risk by closely monitoring the movement of the foreign currency rates and considering hedging against significant foreign currency risk exposure should the need arise.

Material acquisitions and disposals

For the year ended 31 December 2015, the Group had no material acquisitions and disposals.

Contingent liabilities and commitments

As at 31 December 2015, the Group had commitments, which amounted to RMB3.8 million, for future minimum lease payments under non-cancellable operating leases. The operating lease payment commitments represent rental payable by the Group for offices and equipment. The lease was negotiated for lease terms of one to two years. Monthly rental was fixed for certain lease.

Continuing connected transactions

Pursuant to an equipment lease agreement entered into between 北京百納威爾科技有限公司 (Beijing Benywave Technology Co., Ltd.*) ("Benywave Technology") and Benywave Wireless, Benywave Technology has let certain equipment and facilities to Benywave Wireless for handset testing purpose. For the year ended 31 December 2015, the equipment rental expenses incurred by Benywave Wireless amounted to approximately RMB77,000.

Pursuant to a lease agreement entered into between Beijing Tianyu Communication Equipment Co. Ltd. ("Tianyu") and Benywave Wireless, Tianyu has let the premises situated at Zone A, 4th Floor, No. 55, Jiachuang Second Road, Zhongguancun Science Park, OPTO-Merchatronics Industrial Park, Tongzhou District, Beijing, China to Benywave Wireless for carrying on its business. For the year ended 31 December 2015, the rental expenses incurred by Benywave Wireless amounted to approximately RMB818,000.

Employee and remuneration policies

For the year ended 31 December 2015, the Group had a total of 128 employees in Hong Kong and Mainland China. The Group remunerated the employees based on their performance, experience and prevailing market practices.

* *for identification purposes only*

Directors and Senior Management Profiles

Ms. Rong Xiuli
Executive Director and Chairperson

Ms. Rong Xiuli ("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 北京天宇朗通通信設備股份有限公司 (Beijing Tianyu Communication Equipment Co. Ltd.*) ("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 北京百納威爾科技有限公司 (Beijing Benywave Technology Co., Ltd.*) ("Benywave 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.

* *for identification purposes only*

Directors and Senior Management Profiles

Mr. Rong Shengli
Executive Director and Chief Executive Officer

Mr. Rong Shengli ("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 the 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 business of development, designing, production management and selling of mobile telecommunication devices on ODM basis and its related components and accessories, targeting global markets excluding the People's Republic of China ("PRC"). 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 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.

* *for identification purposes only*

Directors and Senior Management Profiles

Mr. Tang Shun Lam
Executive Director

Mr. Tang Shun Lam ("Mr. Tang"), aged 60, was the non-executive Director and was re-designated as the executive Director on 19 March 2016. He worked for Warburg Pincus LLC as a consultant from January 2007 to January 2016. 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 Growth Enterprise Market ("GEM") of the Stock Exchange, 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 of the Stock Exchange, 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. Mr. Tang has been appointed as an independent non-executive director of Greenheart Group Limited (the shares of which are listed on the Main Board, stock code: 94) with effect from 2 July 2015. 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.

Mr. Hon Kwok Ping, Lawrence
Independent Non-executive Director

Mr. Hon Kwok Ping, Lawrence ("Mr. Hon"), aged 67, is an independent non-executive Director, a member of the audit committee, remuneration committee and nomination committee and chairman of the risk management committee of the Company. Mr. Hon has over 30 years experience in the accounting and finance as well as business operations. Since mid 1980's he has been serving local and international companies in senior positions such as CEO, CFO, president & vice president as well as chief accountant and company secretary and other positions. In January 2004 Mr. Hon joined Courage Marine Group Limited (the shares of which are listed on the Main Board, stock code: 1145) and he is currently the director of finance. He is a CPA with fellow membership of the Hong Kong Institute of Certified Public Accountants and the Association of International Accountants, UK.

Directors and Senior Management Profiles

Mr. Lam Yiu Kin
Independent Non-executive Director

Mr. Lam Yiu Kin ("Mr. Lam"), aged 61, is an independent non-executive Director, chairman of the audit committee and a member of the 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 (i) Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (the shares of which are listed on the Main Board, stock code: 1349) since 2013; (ii) Spring Real Estate Investment Trust (the units of which are listed on the Main Board, stock code: 1426); (iii) Global Digital Creations Holdings Limited (the shares of which are listed on the GEM, stock code: 8271); (iv) Shougang Concord Century Holdings Limited (the shares of which are listed on the Main Board, stock code: 103); (v) Mason Financial Holdings Limited (the shares of which are listed on the Main Board, stock code: 273); (vi) COSCO Pacific Limited (the shares of which are listed on the Main Board, stock code: 1199) since 2015; and (vii) Nine Dragons Paper (Holdings) Limited (the shares of which are listed on the Main Board, stock code: 2689) with effect from 3 March 2016. Mr. Lam was the independent non-executive director of Kate China Holdings Limited (the shares of which are listed on the GEM, stock code: 8125) from 2014 to 2015. Mr. Lam has about 40 years of experience in accounting, auditing and business consulting. Mr. Lam is a fellow member of HKICPA, the Association of Chartered Certified Accountants, the Chartered Accountants of Australia and New Zealand 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 and was conferred an Honorary Fellow by The Hong Kong Polytechnic University in 2002.

Mr. Tsang Yat Kiang
Independent Non-executive Director

Mr. Tsang Yat Kiang ("Mr. Tsang"), aged 67, is an independent non-executive Director, a member of the audit committee and chairman of the 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製品有限公司 (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.

* *for identification purposes only*

Ms. Gou Lishan

Ms. Gou Lishan ("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 北京百納威爾無線通信設備有限公司 (Beijing Benywave Wireless Communication Co., Ltd.*) ("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

Mr. Pei Hongan ("Mr. Pei"), aged 39, 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

Mr. Shen Guiping ("Mr. Shen"), aged 49, 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.

* *for identification purposes only*

Report of the Directors

The director of the Company (the "Directors") present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL PLACE OF BUSINESS

The Company incorporated in Cayman Islands. The principal place of business of the Company is in Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 34 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing are provided in the Chairman's Statement on pages 5 to 10 and Management Discussion and Analysis on pages 11 to 16 of this Annual Report.

The financial risk management objectives and policies of the Group are shown in note 7 to the financial statements.

An analysis of the Group's performance during the year using key financial performance indicators is provided on page 4 of this Annual Report.

Discussion on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are provided on page 46 of this Annual Report.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss on page 50 of this annual report.

The Board is pleased to recommend the payment of a final dividend of HK5.055 cents (2014: nil) per share, totaling HKD42,970,000 (approximated to RMB36,000,000) which is expected to be paid on Wednesday, 15 June 2016 to its shareholders whose names appear on the register of members at the close of business on Tuesday, 31 May 2016 subject to the final approval in the annual general meeting to be held on Monday, 23 May 2016.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last four financial years is set out on page 4 of this annual report. This summary does not form part of the audited financial statements.

EQUIPMENT

Details of movements in the electronic and office equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements of the share capital of the Company during the year ended 31 December 2015 are set out in note 27 to the consolidated financial statements.

SHARE OPTION SCHEME AND RESTRICTED SHARE UNIT SCHEME

The Company's share option scheme was adopted on 9 June 2015 as an incentive to the Group's employees and business associates (the "Scheme"). Subject to the provisions for early termination of the Scheme, the Scheme shall be valid for a period of ten years from that date. The Company's restricted share unit scheme ("RSU Scheme") was also adopted on 9 June 2015. The following is a summary of the principal terms of the scheme.

(a) Purpose of the Scheme

The purpose of the Scheme is to provide incentives or rewards to the participants for their contribution to the Group.

(b) Participants of the Scheme

Pursuant to the Scheme, the board of the Company may at its absolute discretion grant options to any eligible employee, non-executive Director, supplier of goods or services, customer, person or entity that provides research, development or other technological support, shareholder or holder of any securities issued by the Group or any invested entity.

(c) Total number of shares available for issue under the Scheme

The total number of shares available for issue under the Scheme is 85,000,000 Shares.

The maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company shall not in aggregate exceed 10% of the total number of shares of the Company in issue from time to time.

(d) Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including those exercised, outstanding and cancelled options) in any 12-month period must not exceed 1% of the total number of shares of the Company in issue, unless approved by the shareholders of the Company in the manner as stipulated in the Scheme.

Report of the Directors

(e) Time of exercise of options

An option may be exercised in accordance with the terms of the 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. Unless the Directors otherwise determined and stated in the option offer to a participant of the Scheme, no minimum period for which the option granted under the Scheme must be held before it can be exercised.

(f) Subscription price per share

The subscription price per share 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 but in any case the subscription price shall not be lower than the highest of:

(i) the closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the option offer date, which must be a trading day;

(ii) the average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the offer date; and

(iii) the nominal value of a share of the Company.

(g) Payment on acceptance of option

A non-refundable sum of HK$1.00 by way of consideration for the grant of an option is required to be paid by each of the grantee upon acceptance of the option.

(h) Remaining life of the Scheme

Subject to the provisions for early termination of the Scheme, the Scheme will remain in force for a period of 10 years commencing on 9 June 2015.

As at the date of this report, no option or restricted share unit had been granted by the Company.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2015, the Group's top five largest customers accounted for 64.9% (2014: 61.1%) of our revenues and the single largest customer accounted for 22.2% (2014: 20.1%) of our revenues. The Group's top five suppliers accounted for 51.0% (2014: 54.9%) of our cost of revenue and the single largest supplier accounted for 23.0% (2014: 14.4%) of our cost of revenue.

Save as disclosed above, none of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest suppliers.

RELATED PARTY TRANSACTION

Save as disclosed herein, during the year ended 31 December 2015, the Group entered into a number of transactions with entities which will be regarded as connected parties of the Company under Chapter 14A of the Listing Rules.

As disclosed in the prospectus of the Company dated 16 June 2015, the annual cap of the rental fees for the year ended 31 December 2015 include:

i. the lease agreement (the "Lease Agreement") with 北京天宇朗通通信設備股份有限公司 (Beijing Tianyu Communication Equipment Co., Ltd.*) ("Tianyu") as lessor and 北京百納威爾無線通信設備有限公司 (Beijing Benywave Wireless Communication Co., Ltd.*) ("Benywave Wireless") as lessee dated 22 July 2014 is RMB818,400; and

ii. the equipment lease agreement (the "Equipment Lease Agreement") with 北京百納威爾科技有限公司 (Beijing Benywave Technology Co., Ltd.*) ("Benywave Technology") as lessor and Benywave Wireless as lessee dated 20 August 2014 is approximately RMB77,432.

The Board, including the independent non-executive Directors, has reviewed and confirmed that each of the Lease Agreement and Equipment Lease Agreement:

i. was entered into and carried out in the ordinary and usual course of business of the Group;

ii. is either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third party; and

iii the terms of which are fair and reasonable and in the interest of the shareholders of the Company as a whole.

* *for identification purposes only*

Report of the Directors

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.

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.

DIRECTORS

The Directors during the year and up to the date of this annual report were:

Executive Directors

Ms. Rong Xiuli *(Chairperson)*
Mr. Rong Shengli *(Chief executive officer)*
Mr. Tang Shun Lam (re-designated on 19 March 2016)

Independent Non-executive Directors

Mr. Hon Kwok Ping, Lawrence
Mr. Lam Yiu Kin
Mr. Tsang Yat Kiang

Pursuant to Article 83(3) of the Company's Articles of Association, all Directors will retire by rotation and all of them, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Company are set out on pages 17 to 21 of this annual report.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considers all of the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

No Director has entered into any service agreements with any members of the Group excluding contracts expiring or determinable by the employee within one year without payment of compensation other than statutory compensation.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, every Director, other officer and auditor for the time being of the Company shall be entitled to be indemnified out of assets of the Company against all losses or liabilities incurred or sustained by him as a Director, auditors or other officer of the Company about the execution of the duties of his office or otherwise in relation thereto. The Company has arranged appropriate Directors' and Officers' liability insurance coverage for the Directors and officers of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 31 December 2015, the interests and short positions of the Directors and the chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Report of the Directors

Long positions

Ordinary shares of HK$0.1 each of the Company (the "Shares")

(i) Interest in the Company

Name of Director	Nature of interest	Number of and class of securities (1)	Approximate percentage of issued share capital of the Company (3)
Rong Xiuli ("Ms. Rong") (2)	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) Ms. Rong and Mr. Ni Gang ("Mr. Ni") hold 90% and 10% of the entire issued share capital of Winmate Limited ("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, Selected Elites Limited holds 87,856,000 Shares representing 10.34% of the entire issued share capital of the Company as nominee of The Core Trust Company Limited ("Core Trust") under the revocable discretionary trust set up by Ms. Rong for herself, her family members and other designated persons as beneficiaries ("Rong Personal Trust"). Selected Elites Limited is wholly-owned by Core Trust in its capacity as trustee of Rong Personal Trust with Ms. Rong as settlor of the trust. Ms. Rong is deemed to be interested in the Shares held by Selected Elites Limited under the SFO by virtue of her being the founder of Rong Personal Trust.

(3) As at 31 December 2015, the issued share capital is 850,000,000 Shares.

(ii) Interest in associated corporation of the Company

Name of Director	Name of associated corporation	Percentage of interest in associated corporation
Ms. Rong *(Note)*	Winmate Limited	90%

Note: As at 31 December 2015, Winmate held more than 50% of the Shares. Therefore, the Company was a subsidiary of Winmate, and Winmate was the holding company and an associated corporation of the Company.

Save as disclosed above, as at 31 December 2015, none of the Directors or chief executive of the Company nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2015, as far as known to the Directors, the following persons or entities (not being a Director or a chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Report of the Directors

Long positions

Ordinary shares of HK$0.1 each of the Company

Name of Shareholder	Nature of interest	Number of and class of securities (1)	Approximate percentage of issued share capital of the Company (4)
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		
Selected Elites Limited (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, Selected Elites Limited holds 87,856,000 Shares representing 10.34% of the entire issued share capital of the Company as nominee of Core Trust under Rong Personal Trust. Selected Elites Limited is wholly-owned by Core Trust in its capacity as trustee of Rong Personal 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 Selected Elites Limited 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 the trustee of restricted share unit ("RSU") scheme ("RSU Scheme") and the trustee of Rong Personal Trust. Wisdom Managements Worldwide Limited (which is wholly-owned by Core Trust) holds 32,300,000 Shares under the RSU Scheme. Selected Elites Limited (which is wholly-owned by Core Trust) holds 87,856,000 Shares under Rong Personal Trust. Under the SFO, Core Trust is deemed to be interested in the 32,300,000 Shares and 87,856,000 Shares held by Wisdom Managements Worldwide Limited and Selected Elites Limited respectively.

(4) As at 31 December 2015, the issued share capital is 850,000,000 Shares.

Save as disclosed above, as at 31 December 2015, the Company has not been notified by any person (other than Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

USE OF PROCEEDS

Details of the use of proceeds from the initial public offering for the year ended 31 December 2015 are set out in page 15 of this report.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2015.

COMPETING INTERESTS

As at 31 December 2015, in so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business that competed or was likely to compete with the business of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro- rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

EMOLUMENT POLICY

The emolument package of the Directors and senior management of the Group is reviewed and recommended by the Remuneration Committee on the basis of their merit, qualifications and competence.

The Company has adopted a share option scheme and restricted share unit scheme to the eligible persons as incentives or rewards for their contribution to the Group.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors of the Company and the five highest paid individuals of the Group during the year ended 31 December 2015 are set out in note 13 to the consolidated financial statements.

Report of the Directors

RETIREMENT SCHEME

The Group participates in defined contribution retirement benefit schemes organized by the PRC municipal and provincial government authorities for the Group's eligible employee in the PRC, and operates a Mandatory Provident Fund scheme for the employee in Hong Kong. Particulars of these retirement plans are set out in note 29 to the consolidated financial statements.

CLOSURE OF REGISTER OF MEMBERS

(a) Annual General Meeting

The register of members of the Company will be closed from Thursday, 19 May 2016 to Monday, 23 May 2016, both days inclusive, during which period no transfer of shares will be effected. In order to determine who are eligible to attend and vote at the annual general meeting of the Company to be held on Monday, 23 May 2016, the shareholders' of the Company should ensure that all transfers, accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 18 May 2016.

(b) Payment of the proposed final dividend

The register of members of the Company will be closed from Friday, 27 May 2016 to Tuesday, 31 May 2016, both days inclusive, during which period no transfer of shares will be effected. In order to be qualified for the proposed final dividend, all transfers, accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 26 May 2016.

FINAL DIVIDEND

The Board is pleased to recommend the payment of a final dividend of HK5.055 cent(s) (2014: nil) per share, totaling HKD42,970,000 (approximated to RMB36,000,000) which is expected to be paid on Wednesday, 15 June 2016 to its shareholders whose names appear on the register of members at the close of business on Tuesday, 31 May 2016 subject to the final approval in the annual general meeting to be held on Monday, 23 May 2016.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices.

Details of the corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" on pages 35 to 45 of this annual report.

CHANGES IN INFORMATION OF DIRECTORS

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

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

2. Mr. Tang Shun Lam has been appointed as an independent non-executive director of Greenheart Group Limited (stock code: 94) with effect from 2 July 2015.

3. Mr. Lam Yiu Kin has been appointed as an independent non-executive director of (i) Global Digital Creations Holdings Limited (stock code: 8271) with effect from 27 July 2015; (ii) Shougang Concord Century Holdings Limited (stock code: 103) with effect from 1 August 2015; (iii) Mason Financial Holdings Limited (stock code: 273) with effect from 1 August 2015; (iv) COSCO Pacific Limited (stock code: 1199) with effect from 14 August 2015; and (v) Nine Dragons Paper (Holdings) Limited (stock code: 2689) with effect from 3 March 2016.

4. Mr. Lam Yiu Kin resigned as an independent non-executive director of Kate China Holdings Limited (stock code: 8125) with effect from 17 September 2015.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Listing Rules. The current audit committee comprises of Mr. Lam Yiu Kin (chairman), Mr. Tsang Yat Kiang and Mr. Hon Kwok Ping, Lawrence, 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 the Group, and to review the Company's annual report and half-yearly reports and to provide advices and comments thereon to the Board.

The audit committee has reviewed the Group's annual results for the year ended 31 December 2015, including the accounting principles and practices adopted by the Group.

Report of the Directors

AUDITOR

The financial statements for the year ended 31 December 2015 have been audited by Deloitte Touche Tohmatsu who will retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution will be submitted to the forthcoming annual general meeting of the Company for the re-appointment of Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the board

Rong Xiuli
Chairperson

Hong Kong, 23 March 2016

Corporate Governance Report

The board (the "Board") of directors (the "Directors") of the Company is committed to maintaining a high standard of corporate governance practices. The primary corporate governance rules applicable to the Company is the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Throughout the period since 26 June 2015 (the "Listing Date") and up to the date of this report, the Company had complied with all code provisions set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, the Directors of the Company confirmed that they had complied with the required standard set out in the Model Code during the period from the Listing Date to 31 December 2015.

BOARD OF DIRECTORS

As at 31 December 2015, the Board comprises two Executive Directors, one Non-executive director and three Independent Non-executive Directors. The Directors were:

Executive Directors
Ms. Rong Xiuli *(Chairperson)*
Mr. Rong Shengli *(Chief executive officer)*

Non-executive Director
Mr. Tang Shun Lam *(re-designated as Executive Director on 19 March 2016)*

Independent Non-executive Directors
Mr. Hon Kwok Ping, Lawrence
Mr. Lam Yiu Kin
Mr. Tsang Yat Kiang

The Board possesses a balanced mix of skills and expertise which supports the continuing development of the Company. The Executive Directors have accumulated sufficient and valuable experience to hold their positions in order to ensure that their fiduciary duties have been carried out in an efficient and effective manner. The Board is responsible for setting the Group's strategic direction and overseeing the business performance of the Group while business operations are delegated to qualified management under the supervision of the Executive Directors. The Board also monitors the financial performance and the internal controls of the Group's business operations. The senior management is responsible for the day-to-day operations of the Group.

Biographical details of the Directors are set out in the section of "Biographical Details of Directors and Senior Management" on pages 17 to 21 of this annual report. To the best knowledge of the Company, there is no other financial, business, family or other material/relevant relationship among the Directors.

Chairman and Chief Executive Officer

According to the code provision A.2.1 of the CG Code, the roles of the Chairperson, Ms. Rong Xiuli and the Chief Executive Officer (the "CEO"), Mr. Rong Shengli are segregated in order to reinforce their independence and accountability.

There are clear demarcations of responsibility and authority between the Chairperson and the CEO which ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. Ms. Rong Xiuli is mainly responsible for providing guidance and supervision regarding the business and operations of the Company while Mr. Rong Shengli is responsible for the overall management of the Company's business operations.

Board Diversity

The Board has adopted the Board Diversity Policy. The Company maintains that Board appointment should be based on merit that complements and expands the skills, experience and expertise of the Board as a whole, taking into account gender, age, professional experience and qualifications, cultural and educational background, and any other factors that the Board might consider relevant and applicable from time to time towards achieving a diverse Board.

Independent Non-executive Directors

Independent Non-executive Directors are responsible to scrutinise the Company's performance in achieving agreed corporate goals and objectives; and ensuring that the exercise of the Board authority is within the powers conferred to the Board under the Company's Articles of Association, applicable laws, rules and regulations.

During the year ended 31 December 2015, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

Confirmation of Independence

The Board considers that all of the Independent Non-executive Directors are independent. All of the Independent Non-executive Directors have signed their respective confirmation letters to the Company confirming their independence as set out in Rule 3.13 of the Listing Rules.

ROLES AND FUNCTIONS OF THE BOARD AND THE MANAGEMENT

The Board assumes responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs. The Board is fully responsible for the formulation of business policies and strategies in relation to the business operation of the Group, dividend policy and risk management strategies. The management are delegated the authorities and responsibilities by the Board for the day-to-day management and operation of the Group.

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

Pursuant to Articles 84(1) and 84(2) of the Company's Articles of Association, one-third of the Directors for the time being shall retire by rotation at each annual general meeting of the Company at least once every three years. All retiring Director shall be eligible for re-election.

Article 83(3) of the Company's Articles of Association provides that (1) any director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting; and (2) any director appointed by the Board 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.

According to code provision A.4.1 of CG Code, the Non-executive Directors should be appointed for a specific term, subject to re-election.

Code provision A.4.2 of CG Code also states that every director, including those appointed for a specific term, shall be subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company. Their appointments would be reviewed when they were due for re-election.

BOARD MEETINGS

The Board holds at least four regular meetings a year which are normally scheduled at the beginning of the year. Directors may approve various matters by way of passing written resolutions. The Board may also meet on other occasions when a board-level decision on a particular matter is required. In addition, at least 14 days' notice of a regular Board meeting shall be given and the Company aims at sending the agenda and the accompanying board papers to Directors at a reasonable time before the intended date of Board meeting.

Corporate Governance Report

During the period from the Listing Date to 31 December 2015, the attendance records of the Directors to the board meetings are set out below:

Name of Directors	No. of meetings attended/ No. of meetings held
Executive Directors	
Ms. Rong Xiuli	3/3
Mr. Rong Shengli	2/3
Non-executive Director	
Mr. Tang Shun Lam *(re-designated as Executive Director on 19 March 2016)*	3/3
Independent Non-Executive Directors	
Mr. Hon Kwok Ping, Lawrence	3/3
Mr. Lam Yiu Kin	3/3
Mr. Tsang Yat Kiang	3/3

COMPANY SECRETARY

The Company's secretarial functions are outsourced to external service provider. The Company Secretary reports to the Board through the Chairperson or the CEO of the Company. All Directors may access to the advice and services of the Company Secretary. The Company Secretary regularly updates the Board on governance and regulatory matters.

The Board is fully involved in selection, appointment and dismissal of the Company Secretary. The Company Secretary is also responsible for ensuring the procedures of the Board meetings are observed and providing the Board opinions on matters in relation to the compliance with the procedures of the Board meetings.

During the period from the Listing Date to 31 December 2015, the Company Secretary has undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

ACCESS TO INFORMATION

All Directors are kept informed on a timely basis of major changes that may have affected the Group's business, including relevant rules and regulations and are able to make further enquiries when necessary. Sufficient explanation and information have been provided to the Board to enable the Board to make an informed assessment of financial and other information put before it for approval. They also have unrestricted access to the advices and services of the Company Secretary, who is responsible for providing the Directors with board papers and related materials. The Board has also agreed that the Directors may seek independent professional advice in performing their Directors' duties at the Company's expenses.

DIRECTORS INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

All of the Directors have been given an induction after their appointment so as to ensure that they have appropriate understanding of the Group's business and of their duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements.

The Company provides regular updates on the business performance of the Group to the Directors. The Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development to Directors will be arranged whenever necessary.

The Company has maintained a training record in order to assist the Directors to record the training that they have undertaken.

During the year ended 31 December 2015, each individual Director has attended training courses or workshops or reading materials relevant to his/her professional and/or duties as Director. A summary is as follows:

Name of Directors	Reading materials regarding regulatory updates and corporate governance matters	Attending seminars and/or conferences and/or briefings
Executive Directors		
Ms. Rong Xiuli	✓	✓
Mr. Rong Shengli	✓	✓
Non-executive Director		
Mr. Tang Shun Lam *(re-designated as Executive Director on 19 March 2016)*	✓	✓
Independent Non-executive Directors		
Mr. Hon Kwok Ping, Lawrence	✓	✓
Mr. Lam Yiu Kin	✓	✓
Mr. Tsang Yat Kiang	✓	✓

All Directors also understand the importance of continuous professional development and they are committed to participating any suitable training and/or reading relevant materials to develop and refresh their knowledge and skills.

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTION

The Audit Committee is responsible for performing the corporate governance duties as set out below:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to directors and employees; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

To indemnify Directors and officers of the Company against all costs, charges, losses, expenses and liabilities incurred by them in the executive of and discharge of their duties or in relation thereto, the Company has arranged insurance cover for this purpose.

BOARD COMMITTEES

The Board has established four committees with specific responsibilities as described below. The terms of reference of the remuneration committee (the "Remuneration Committee"), nomination committee (the "Nomination Committee"), audit committee (the "Audit Committee") and risk management committee (the "Risk Management Committee") of the Company are posted on the websites of the Company and the Stock Exchange.

REMUNERATION COMMITTEE

As at 31 December 2015, the Remuneration Committee comprises of three Independent Non-executive Directors, Mr. Tsang Yat Kiang as the chairman, Mr. Hon Kwok Ping, Lawrence and Mr. Lam Yiu Kin as members and an Executive Director, Ms. Rong Xiuli as member. The majority of the members of the Remuneration Committee are Independent Non-executive Directors.

It is responsible for reviewing and recommending all elements of the remuneration covering the Directors and senior management of the Company. No individual Director is involved in decisions relating to his/her own remuneration. The Remuneration Committee has adopted the model under code provision B.1.2(c)(ii) of the CG Code to make recommendations to the Board on the remuneration packages of individual Directors and senior management. Meeting of the Remuneration Committee is held at least once a year.

During the period from the Listing Date to 31 December 2015, there were two meetings held by the Remuneration Committee to (i) review and recommend the Directors' remuneration packages; and (ii) review the revised terms of reference of the Remuneration Committee.

Details of the remuneration paid to Directors and members of senior management by band for the year ended 31 December 2015 are disclosed in note 13 to the consolidated financial statements.

Attendance of the Remuneration Committee during the relevant period is set out below:

Members	**No. of meetings attended/ No. of meetings held**
Mr. Tsang Yat Kiang *(Chairman)*	2/2
Mr. Hon Kwok Ping, Lawrence	2/2
Mr. Lam Yiu Kin	2/2
Ms. Rong Xiuli	2/2

NOMINATION COMMITTEE

As at 31 December 2015, the Nomination Committee comprises of three Independent Non-executive Directors, Mr. Tsang Yat Kiang as the chairman, Mr. Hon Kwok Ping, Lawrence and Mr. Lam Yiu Kin as members and an Executive Director, Ms. Rong Xiuli as member. The majority of the members of the Remuneration Committee are Independent Non-executive Directors.

It is responsible for reviewing the Board composition and identifying and nominating candidates for appointment to the Board such that it has the required blend of skills, knowledge and experience. Meeting of the Nomination Committee is held at least once a year.

During the period from the Listing Date to 31 December 2015, there was one meeting held by the Nomination Committee to (i) review the structure, size and composition of the Board; (ii) nominate Directors for re-election at the annual general meeting; (iii) assess the independence of Independent Non-executive Directors with reference to the requirements under the Listing Rules; and (iv) review the revised terms of reference of the Nomination Committee and the Board Diversity Policy.

Corporate Governance Report

Attendance of the Nomination Committee during the relevant period is set out below:

Members	No. of meetings attended/ No. of meetings held
Mr. Tsang Yat Kiang *(Chairman)*	1/1
Mr. Hon Kwok Ping, Lawrence	1/1
Mr. Lam Yiu Kin	1/1
Ms. Rong Xiuli	1/1

AUDIT COMMITTEE

As at 31 December 2015, the Audit Committee comprises of three Independent Non-executive Directors, Mr. Lam Yiu Kin as the chairman, Mr. Tsang Yat Kiang and Mr. Hon Kwok Ping, Lawrence as members. The Audit Committee is responsible for reviewing the Group's financial statements, overseeing the Group's financial reporting and internal control procedures, and making recommendations to the Board. None of the members of the Audit Committee is a member of the former or existing auditors of the Company. The Audit Committee has adopted the principles set out in the CG Code. Meetings of the Audit Committee are held at least twice a year.

The Audit Committee has access to and maintains an independent communication with the external auditors and the management to ensure effective information exchange on all relevant financial accounting matters. During the period from the Listing Date to 31 December 2015, there were three meetings held by the Audit Committee to (i) review the work done by external auditors; (ii) review and discuss with the auditors the audited financial statements for the year ended 31 December 2015 and the unaudited interim financial statements for the six months ended 30 June 2015, with recommendations to the Board for approval; (iii) review internal control system covering financial, operational, procedural compliance and risk management functions; (iv) discuss audit plans for the year ended 31 December 2015; and (v) review the revised terms of reference of the Audit Committee.

The chairman of the Audit Committee, Mr. Lam Yiu Kin, possesses appropriate professional qualification in accounting and meets the requirements of Rule 3.21 of the Listing Rules.

Attendance of the Audit Committee during the relevant period is set out below:

Members	No. of meetings attended/ No. of meetings held
Mr. Lam Yiu Kin *(Chairman)*	3/3
Mr. Tsang Yat Kiang	3/3
Mr. Hon Kwok Ping, Lawrence	3/3

RISK MANAGEMENT COMMITTEE

As at 31 December 2015, the Risk Management Committee comprises of an Independent Non-executive Director, Mr. Hon Kwok Ping, Lawrence as the chairman and two Executive Directors, Ms. Rong Xiuli and Mr. Rong Shengli as members.

It is responsible for considering the Group's risk management strategies and giving guidelines and ensuring the soundness and effectiveness of the Group's internal control system to safeguard the investment of the shareholders and the assets of the Company. Meeting of the Risk Management Committee is held at least once a year.

During the period from the Listing Date to 31 December 2015, there was one meeting held by the Risk Management Committee to review the revised terms of reference of the Risk Management Committee.

Attendance of the Risk Management Committee during the relevant period is set out below:

Members	**No. of meetings attended/ No. of meetings held**
Mr. Hon Kwok Ping, Lawrence *(Chairman)*	1/1
Ms. Rong Xiuli	1/1
Mr. Rong Shengli	1/1

AUDITOR'S REMUNERATION

During the year, the Group was charged by the auditor, Deloitte Touche Tohmatu, auditing service is:

Service rendered	**Fees paid/payable**
	HK$'000
Audit services	2,820

ACCOUNTABILITY AND AUDIT

The Directors are responsible for the preparation of the financial statements of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give a true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the financial statements for the six months ended 30 June 2015 and for the year ended 31 December 2015, the Directors have adopted suitable accounting policies and applied them consistently. The accounts for the reporting year have been prepared on a going concern basis.

Corporate Governance Report

The Directors acknowledge their responsibility to prepare the financial statements as set out on pages 50 to 94. The statement of the external auditors about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" on pages 48 to 49 of this annual report.

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard the investment of the shareholders and assets of the Group and reviewing the effectiveness of such system on an annual basis.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The internal auditors shall review and evaluate the control process and monitor any risk factors on a regular basis and report to the Audit Committee on any findings and measures to address the variances and identified risks.

The Board has conducted an annual review of the effectiveness of its internal control system covering all material controls, including financial, operational and compliance as well as risk management.

SHAREHOLDERS' RIGHTS

Right to convene extraordinary general meeting

Any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

The written requisition must specify the objects of the meeting, be signed by the requisitionists and deposited it with the Company Secretary of the Company at the Company's principal place of business in Hong Kong at Suite B, 16/F. W Square, 314-324 Hennessy Road Wanchai, Hong Kong.

If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to the requisitionists by the Company.

Right to propose a person for election as a Director at general meeting

Pursuant to Article 85 of the Company's Articles of Association, if a shareholder wish to propose a person other than a retiring director of the Company for election as a director of the Company at any general meeting, he/she should give a written notice of nomination to the Company. Details for the relevant requirements and procedures can be found on the Corporate Governance section of the Company's website.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send in their enquiries and concerns to the Board in writing via the following channel:

The Board of Directors/Company Secretary
Vital Mobile Holdings Limited
Suite B, 16/F, W Square,
314-324 Hennessy Road
Wanchai,
Hong Kong

Shareholders may also make enquiries with the Board at the general meetings of the Company.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company established a shareholders' communication policy and review it on a regular basis to ensure its effectiveness. The Board is committed in providing clear and full performance information of the Group to shareholders through the publication of interim and annual reports. In addition to the circulars, notices and financial reports sent to shareholders, additional information of the Group is also available to shareholders on the website of the Company.

Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice is given. The chairman of the Board and Directors are available to answer questions on the Group's business at the meeting. All resolutions at the general meeting are decided by a poll which is conducted by the Company's branch share registrar and transfer office in Hong Kong.

The Group values feedbacks from shareholders on its effort to promote transparency and foster investor relationships. Comments and suggestions are always welcomed.

The annual general meeting of the Company provides a useful forum for shareholders to exchange views with the Board. All Directors will make an effort to attend. External auditor is also available at the annual general meeting to address shareholders' queries. In case of any general meeting to approve a connected transaction or any other transaction that is subject to shareholders' approval, members of the independent Board committee will also make an effort to address shareholders' queries.

CONSTITUTIONAL DOCUMENTS

The Company does not have any changes in the constitutional documents during the year under review.

Corporate Social Responsibility Report

The Company and its subsidiaries ("Group") is committed to contributing to the sustainability of the environment and community in which we conduct business and where our stakeholders live.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. Green initiatives and measures have been adopted in the Group. Such initiatives include recycling of used papers, energy saving measures and water saving practices.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board of Directors and management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year, there was no material breach of or noncompliance with the applicable laws and regulations by the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties including foreign currency risk, credit risk and liquidity risk.

The financial risks and policies of the Group are shown in note 7 to the financial statements.

There may be other risks and uncertainties in addition to those mentioned above which are not known to the Group or which may not be material now but could turn out to be material in the future.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers and customers to meet its immediate and long-term goals, so the Group commits to provide high quality services to customers and develop mutual trust with suppliers. The Group also strives to take an active part in the communities where they operate. Staff are encouraged to devote time to help nonprofit organisations or to participate in local fund raising activities. During the year ended 31 December 2015, there were no material and significant dispute between the Group and its suppliers and/or customers.

Corporate Social Responsibility Report

WORKPLACE QUALITY

The Group is an equal opportunity employer and does not discriminate on the basis of personal characteristics.

The Group has established policy outlining terms and conditions of employment, expectations for employees' conduct and behavior as well as employees' rights and benefits. We establish and implement policies that promote a harmony and respectful workplace.

The Group believes that employees are the valuable assets of an enterprise and regards human resources as its corporate wealth. We provide on-the-job training and development opportunities to enhance our employees' career progression. Through different training, staff's professional knowledge in corporate operations, occupational and management skills are enhanced.

HEALTH AND SAFETY

The Group prides itself on providing a safe, effective and congenial work environment. Adequate arrangements, training and guidelines are implemented to ensure the working environment is healthy and safe. The Group provided health and safety communications for employees to present the relevant information and raise awareness of occupational health and safety issues.

The Group values the health and well-being of staff. In order to provide employees with health coverage, they are entitled to medical insurance benefits as well as other health awareness programs.

The Group's operations are covered by insurance policies to cover third party liability and employee compensation.

COMMUNITY INVOLVEMENT

The Group believes that by encouraging staff to participate in a wide range of charitable events, concern for the community will be raised and boosted, which would inspire more people to take part in serving the community.

Independent Auditor's Report

For the year ended 31 December 2015

TO THE MEMBERS OF VITAL MOBILE HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Vital Mobile Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 50 to 94, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report

For the year ended 31 December 2015

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

23 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Revenue	8	**1,408,339**	1,916,183
Cost of sales		**(1,185,770)**	(1,655,949)
Gross profit		**222,569**	260,234
Other gains and losses	9	**46,412**	(2,235)
Other income	10	**12,245**	–
Research and development costs		**(18,601)**	(22,047)
Selling and distribution expenses		**(18,407)**	(22,847)
Administrative expenses		**(11,671)**	(6,901)
Finance costs		**(3,619)**	–
Listing expenses		**(12,408)**	(12,544)
Profit before tax	11	**216,520**	193,660
Income tax expenses	12	**(35,621)**	(37,435)
Profit and total comprehensive income for the year attributable to equity holders of the Company		**180,899**	156,225
Earnings per share – basic (RMB per share)	14	**0.24**	0.24

Consolidated Statement of Financial Position

At 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Non-current assets			
Equipment	16	**150**	208
Deferred tax assets	17	**4,309**	–
		4,459	208
Current assets			
Inventories	18	**124,151**	123,543
Trade and other receivables	19	**634,841**	397,843
Amount due from a related party	20	**–**	7,860
Structured deposits	21	**420,000**	–
Pledged bank deposits	22	**762,248**	535
Cash and bank balances	23	**41,248**	10,440
		1,982,488	540,221
Current liabilities			
Trade payables	24	**1,034,988**	164,289
Bank loan	25	**16,200**	–
Accrual and other payables		**20,040**	22,626
Deposits received from customers		**19,407**	14,811
Amount due to a related party	20	**–**	4,116
Tax liabilities		**28,985**	13,791
Provision	26	**10,343**	23,332
		1,129,963	242,965
Net current assets		**852,525**	297,256
Total assets less current liabilities		**856,984**	297,464
Net assets		**856,984**	297,464
Capital and reserves			
Share capital	27	**67,041**	–
Share premium and reserves		**789,943**	297,464
Equity attributable to equity holders of the Company		**856,984**	297,464

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to equity holders of the Company				
	Share capital	Share premium	Special reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 27)		(iv)		
At 1 January 2014	–	–	(43,586)	–	(43,586)
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 (i)	–	–	133,821	(133,821)	–
Net contribution from Benywave Technology prior to the Assets Transfer (ii)	–	–	184,825	–	184,825
At 31 December 2014	–	–	275,060	22,404	297,464
At 31 December 2014	–	–	275,060	22,404	297,464
Profit and total comprehensive income for the year	–	–	–	180,899	180,899
Net proceeds from the global offering (iii)	16,090	362,531	–	–	378,621
Capitalisation issue (iv)	50,951	(50,951)	–	–	–
At 31 December 2015	67,041	311,580	275,060	203,303	856,984

Notes:

(i) The profit in respect of operations of the Overseas Business (as defined in Note 2) carried out by Beijing Benywave Technology Co., Ltd. ("Benywave Technology") prior to the group reorganisation was legally belonged to Benywave Technology. The transfer of net profits in respect of the Overseas Business represented the results of the Overseas Business as such profits were non-distributable profits of the Group.

(ii) The net contribution from Benywave Technology represented the funding provided by Benywave Technology to the Overseas Business Unit (as defined in Note 2) prior to the Assets Transfer (as defined in Note 2).

(iii) On 26 June 2015, the Company completed the global offering and issued 204,000,000 shares in total with the nominal value is HK$0.1 per share. The aggregate net proceeds from the global offering were calculated at the offer price of HK$2.48 after deducting the underwriting fee and the listing expenses amounting to RMB20,403,000 in connection with the global offering.

(iv) Pursuant to the written resolution passed by the shareholders of the Company on 9 June 2015 conditional upon the listing of the Company's shares on The Stock Exchange of Hong Kong Limited, the directors of the Company were authorised to capitalise the amount of HK$64,599,900 (approximated to RMB50,951,000) from the amount standing to the credit of the share premium account of the Company to pay up in full at par of 645,999,000 shares for allotment and issue to the then existing shareholdings of the Company.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

Prior to the Assets Transfer, the Group's business was operated by the Overseas Business unit under Benywave Technology and no separate bank accounts had 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. 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, which the related assets and liabilities of the Group's business were assumed by Benywave Wireless Communication Co., Ltd. ("Benywave Wireless"), a wholly owned subsidiary of the Company on 29 August 2014, Benywave Wireless opened its own bank accounts.

	2015	2014
	RMB'000	RMB'000
Operating activities		
Profit for the year	**180,899**	156,225
Adjustments for:		
Income tax recognised in profit or loss	**35,621**	13,791
Finance costs	**3,619**	–
Depreciation of equipment	**58**	138
Interest income	**(12,245)**	–
Foreign exchange (gain) loss, net	**(18,178)**	2,235
Write down of inventories	**3,710**	2,472
Impairment loss recognised on trade receivables	**1,457**	–
(Decrease) increase in provision for warranty	**(12,989)**	10,854
Operating cash flows before movements in working capital	**181,952**	185,715
Increase in inventories	**(4,318)**	(56,602)
Increase in trade and other receivables	**(244,803)**	(354,920)
Increase in trade payables	**870,699**	79,613
(Decrease) increase in accrual and other payables	**(2,586)**	15,220
Increase (decrease) in deposits received from customers	**4,596**	(39,126)
Cash generated from (used in) operating activities	**805,540**	(170,100)
Income tax paid	**(24,736)**	–
Net cash generated from (used in) operating activities	**780,804**	(170,100)

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
Investing activities		
Interests income received	**7,580**	–
Increase (decrease) in amount due from a related party	**7,860**	(7,860)
Proceeds on disposal of equipment	**–**	1
Purchases of equipment	**–**	(7)
Proceeds on disposal of structured deposits	**250,000**	–
Purchases of structured deposits	**(670,000)**	–
Withdrawal of pledged bank deposits	**283,954**	–
Placement of pledged bank deposits	**(1,045,667)**	(535)
Net cash used in investing activities	**(1,166,273)**	(8,401)
Financing activities		
(Decrease) increase in amount due to a related party	**(4,116)**	4,116
Proceeds from borrowings	**254,275**	–
Repayment of borrowings	**(238,075)**	–
Proceeds from issue of equity shares	**399,024**	–
Expenses incurred in connection with the global offering	**(20,403)**	–
Interest paid	**(3,619)**	–
Net cash from financing activities	**387,086**	4,116
Net increase (decrease) in cash and cash equivalents	**1,617**	(174,385)
Net contribution from Benywave Technology	**–**	184,825
Effect of foreign exchange rate changes	**29,191**	–
Cash and cash equivalents at 1 January	**10,440**	–
Cash and cash equivalents at 31 December, represented by cash and bank balances	**41,248**	10,440

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1. GENERAL INFORMATION

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

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

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

2. GROUP REORGANISATION AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Historically, Benywave Technology carried out the PRC Business (which has been primarily engaged in developing, designing, production management and selling of mobile telecommunication 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 original design manufactor ("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 had 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. The Overseas Business was operated as a separate business unit (the "Overseas Business Unit") under Benywave Technology until the establishment of Benywave Wireless and completed the split, which the Overseas Business related assets and liabilities were assumed by Benywave Wireless on 29 August 2014 (the "Assets Transfer"). Benywave Technology and Benywave Wireless are owned by Vital Profit Technology Inc. ("Vital Profit") which is ultimately controlled by Winmate. Vital Mobile Limited ("Vital BVI") was incorporated on 27 June 2014. On 14 August 2014, Vital Mobile (HK) Limited ("Vital HK") has become a wholly-owned subsidiary of Vital BVI. In August 2014, Vital HK acquired the entire interest in Benywave Wireless from Vital Profit at a consideration of RMB100,000,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2. GROUP REORGANISATION AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Group comprising the Company and its subsidiaries resulting from the group reorganisation is regarded as a continuing entity. The Overseas Business Unit had been under the common control by Ms. Rong and Mr. Ni throughout the period presented. For the purpose of presenting the financial results and cash flows of the Group, the Overseas Business Unit was deemed to be part of the Group for the year ended 31 December 2014.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended 31 December 2014 included the results, changes in equity and cash flows of the Overseas Business as if the Overseas Business had been operated by the Group.

The Overseas Business was carried out by Benywave Technology prior to the Assets Transfer. To the extent income and expenses that were specifically identified to the Overseas Business, such items were included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014.

To the extent that the income and expenses were common to the Overseas Business and PRC Business, these items were 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) for the year ended 31 December 2014. Items that did not meet the criteria above were not included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014.

Expenses which were common to the Overseas Business and the PRC Business were allocated on the following basis: (1) research and development costs were allocated based on percentage of the budget revenue of the Overseas Business and percentage of the budget revenue of the PRC Business; (2) administrative 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 presented a reasonable basis of estimating what the Overseas Business Unit operating results had been on a stand-alone basis for the year ended 31 December 2014. Other than certain of the research and development costs, administrative expenses and income tax expenses mentioned above, all other items of income and expenses were 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 contribution from Benywave Technology in the consolidated statement of changes in equity for the year ended 31 December 2014.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

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

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRs 2010-2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRs 2011-2013 Cycle

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

New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective.

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to IAS 1	Disclosure Initiative[3]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[3]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to IAS 7	Disclosure Initiative[5]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after a date to be determined
5 Effective for annual periods beginning on or after 1 January 2017

Except for those as stated below, the adoption of these new and revised IFRS is not expected to have material impact on the results and the financial position of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

New and revised IFRSs in issue but not yet effective (Continued)

IFRS 15 Revenue from Contracts with Customers

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

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

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

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

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the IASB. In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation

The provision of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with IFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net relisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirely, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate 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.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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 consolidated financial statements items of the combining entities or business in which the common control combination occurs as if it had been combined from the date when the combining entities or business first came under the control of the controlling party.

The net assets of the combining entities 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 entities or business from the earliest date presented or since the date when the combining entities or business first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 consolidated financial statements, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements 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 profits will be available against which those deductible temporary differences can be utilized.

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 profits 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 realized, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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 relevant period. 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 related party, cash and bank balances, structured deposits 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of loans and receivables (Continued)

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, bank loan 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 relevant 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition (Continued)

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 2015, the carrying amounts of inventories are approximately RMB124,151,000 (2014: RMB123,543,000) which is net of write down of inventories approximately RMB3,710,000 (2014: RMB2,472,000).

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.

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5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Provision for warranty (Continued)

At 31 December 2015, the carrying amounts of provision for warranty are approximately RMB10,343,000 (2014: RMB23,332,000).

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. 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

	At 31 December	
	2015	2014
	RMB'000	RMB'000
Financial assets		
Loans and receivables (including cash and bank balances, structured deposits pledged bank deposits)	**1,578,712**	356,109
Financial liabilities		
Amortised cost	**1,054,382**	174,177

Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, amount due from a related party, structured deposits, pledged bank deposits, cash and bank balances, trade payables, other payables, bank loan and amounts due to a related party. 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.

7. FINANCIAL INSTRUMENTS

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 and other receivables, cash and bank balances and pledged bank deposits) and liabilities (trade payables and amount due to a related party) at the end of each reporting periods are as follows:

	Assets		**Liabilities**	
	31/12/2015	31/12/2014	**31/12/2015**	31/12/2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**417,823**	345,217	**146,410**	49,468
HKD	**364,701**	10	**–**	–

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against USD and HKD. 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 and HKD. For a 5% strengthening of RMB against the USD and HKD, there would be an equal and opposite impact on the profit for the year, and the amounts below would be negative.

	At 31 December	
	2015	2014
	RMB'000	RMB'000
Profit for the year		
USD	**11,535**	11,091
HKD	**15,500**	–

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.

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7. FINANCIAL INSTRUMENTS (Continued)

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 statement of financial position.

The Group has concentration of credit risk as the major trade and other receivables were due from the Group's 8 customers (2014: 10) and a supplier as at 31 December 2015 (2014: Nil). The management considered that the credit risk of trade and other receivables is insignificant after considering the credit quality and financial ability of these customers and the supplier.

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 detail 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.

	Weighted average effective interest rate %	On demand or within one year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2015				
Financial liabilities				
Other payables		3,194	3,194	3,194
Trade payables		1,034,988	1,034,988	1,034,988
Bank loans-fixed rate	4.60	16,355	16,355	16,200
Total		1,054,537	1,054,537	1,054,382

7. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk (Continued)

	Weighted average effective interest rate %	On demand or within one year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2014				
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

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 consolidated financial statements approximate their fair values.

8. REVENUE AND SEGMENT INFORMATION

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

Segment information

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

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For the year ended 31 December 2015

8. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

Revenue from major products

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

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Smart phones	**1,368,881**	1,717,971
Smartphone component packs	**1,562**	196,277
Mobile device components	**37,896**	1,935
	1,408,339	1,916,183

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 year based on locations of the external customers:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Hong Kong	**531,535**	500,331
Southeast Asia	**4,461**	93,727
South Asia	**90,737**	183,008
Taiwan	**248,392**	43,778
Other parts of Asia	**100,375**	131,183
Europe	**129,844**	259,877
South America	**2,316**	203,920
North America	**126,227**	424,465
Africa	**174,452**	75,894
	1,408,339	1,916,183

8. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information (Continued)

Notes:

1. 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.

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

3. South Asia includes India and Bangladesh.

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

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

6. South America includes Brazil, Argentina and Venezuela.

7. North America includes United States of America and Mexico.

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 relevant periods is as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Customer A	**313,336[1]**	N/A
Customer B	**248,392[1]**	N/A[3]
Customer C	**N/A[3]**	385,855[1]
Customer D	**N/A[3]**	366,772[1]
Customer E	**N/A[3]**	196,277[2]

[1] Revenue from sales of smart phones.

[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 GAINS AND LOSSES

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Foreign exchange gain(loss), net	**47,369**	(2,235)
Impairment loss in trade receivables	**(1,457)**	–
Government grants	**500**	–
	46,412	(2,235)

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10. OTHER INCOME

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Interest income on structured deposits	**9,475**	–
Interest income on pledged bank deposits	**2,372**	–
Interest income on bank balances	**398**	–
	12,245	–

11. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Auditor's remuneration	**2,820**	18
Depreciation of equipment	**58**	138
Depreciation of other equipment	**–**	543
Directors' emoluments (Note 13)	**2,508**	1,859
Other staff cost		
salaries and other allowance	**16,101**	18,750
retirement benefit schemes contribution	**3,618**	4,084
Total staff costs	**22,227**	24,693
Cost of inventories recognised as an expense	**1,185,770**	1,655,949
Write down of inventories (included in cost of sales)	**3,710**	2,472
Operating lease rentals in respect of rented premises	**1,778**	983

12. INCOME TAX EXPENSE

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Enterprise income tax ("EIT")		
Current Tax in PRC	**29,035**	37,435
Current Tax in HK	**6,229**	–
Under provision in prior year		
PRC Enterprise Income Tax	**4,666**	–
Deferred Tax (Note 17)	**(4,309)**	–
	35,621	37,435

12. INCOME TAX EXPENSE (Continued)

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

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

Benywave Technology is recognised as "New and High Technology Enterprises" and therefore entitled to apply a preferential tax rate of 15% for the year ended 31 December 2014. 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 in the year of 2014.

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

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Profit before tax	**216,520**	193,660
Tax calculated at applicable domestic tax rates (2015: 15%, 2014: 25%)	**32,478**	48,415
Tax effect of expenses not deductible for tax purposes	**14**	4,783
Effect of different tax rates of the entities operating in other jurisdictions	**(1,537)**	–
Effect of different tax rates of Overseas Business Unit prior to the Assets Transfer	**–**	(15,763)
Under provision in prior year PRC Enterprise Income Tax	**4,666**	–
Income tax expenses	**35,621**	37,435

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13. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE

The directors' emoluments paid/payable to the executive directors, who were appointed on 12 August 2014, the non-executive director, who was appointed on 19 March 2015 and the independent non-executive directors, who were appointed on 19 September 2014, of the Company during the year were as follows:

	Year ended 31 December 2015			
	Directors' fee RMB'000	Salaries and allowances RMB'000	Retirement benefit schemes contribution RMB'000	Total RMB'000
Executive Directors				
Ms. Rong	–	720	99	819
Mr. Rong Shengli (i)	–	720	99	819
Non-executive Director				
Mr. Tang Shun Lam (ii)	–	–	–	–
Independent non-executive Directors				
Mr. Hon Kwok Ping Lawrence	290	–	–	290
Mr. Lam Yiu Kin	290	–	–	290
Mr. Tsang Yat Kiang	290	–	–	290
	870	**1,440**	**198**	**2,508**

Notes:

(i) Mr. Rong Shengli is also the chief executive of the Group and his emoluments disclosed above include those for services rendered by him as the chief executive.

(ii) Mr. Tang Shun Lam has been appointed as a non-executive director of the Company from 19 March 2015.

13. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE (Continued)

	Year ended 31 December 2014			
	Directors' fee RMB'000	Salaries and allowances RMB'000	Retirement benefit schemes contribution RMB'000	Total RMB'000
Executive Directors				
Ms. Rong	–	720	85	805
Mr. Rong Shengli	–	720	85	805
Independent non-executive Directors				
Mr. Hon Kwok Ping Lawrence	83	–	–	83
Mr. Lam Yiu Kin	83	–	–	83
Mr. Tsang Yat Kiang	83	–	–	83
	249	1,440	170	1,859

Prior to the completion of the Assets Transfer in the year 2014, 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 in the year 2014.

Of the five individuals with the highest emoluments in the Group, two (2014: two) were the directors of the Company for the year ended 31 December 2015 whose emoluments are included in the disclosures above. The emoluments of the remaining three (2014: three) individuals for the year ended 31 December 2015 were as follows:

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Salaries and allowance	**1,371**	1,088
Retirement benefits schemes contribution	**296**	255
	1,667	1,343

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13. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE (Continued)

The number of these five highest paid individuals (including directors) whose remuneration fell within the following band is as follows:

	Year ended 31 December	
	2015	2014
Nil to HKD1,000,000	**3**	5
HKD1,000,001 to HKD1,500,000	**2**	–
	5	5

There were no directors of the Company waived or agreed to waive any emoluments, and no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. EARNINGS PER SHARE

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

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Earnings		
Earnings for the purposes of basic earnings per share, representing profit for the year attributable to owners of the Company	**180,899**	156,225

	Year ended 31 December	
	2015	2014
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposed of basic earnings per share	**751,633**	646,000

14. EARNINGS PER SHARE (Continued)

The weighted average number of shares for the purpose of calculating basic earnings per share for both years has been adjusted for the effect of the capitalisation issue.

There are no dilutive potential shares for both years.

15. DIVIDENDS

No dividends were declared or paid during the year ended 31 December 2015.

Subsequent to the end of the reporting period, final dividend of HK$42,970,000 (approximately RMB36,000,000) in respect of the year ended 31 December 2015 is proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

As the Overseas Business was operated as the Overseas Business Unit under Benywave Technology during the year ended 31 December 2014, the net return to Benywave Technology as set out in the consolidated statement 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 year ended 31 December 2014.

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16. EQUIPMENT

	Electronic and Office equipment RMB'000
Cost	
As at 1 January 2014	949
Addition	7
Disposals	(38)
As at 31 December 2014	918
As at 31 December 2015	918
Accumulated depreciation	
As at 1 January 2014	609
Charge for the year	138
Eliminated on disposals	(37)
As at 31 December 2014	710
Charge for the year	58
As at 31 December 2015	768
Carrying amounts	
At 1 January 2014	340
At 31 December 2014	208
At 31 December 2015	150

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%

17. DEFERRED TAX ASSETS

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

	Write down of inventory RMB'000	Allowance for doubtful debts RMB'000	Accrued expense and cost RMB'000	Total RMB'000
At 31 December 2014	–	–	–	–
Credit to profit or loss	557	219	3,533	4,309
At 31 December 2015	557	219	3,533	4,309

18. INVENTORIES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Raw materials	**103,516**	107,192
Finished goods	**20,635**	16,351
	124,151	123,543

19. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Trade receivables	**351,697**	337,184
Less: allowance for doubtful debts	**1,457**	–
	350,240	337,184
Other receivables		
– Value added tax receivables	**82,626**	55,858
– Others	**4,976**	90
Prepayments to suppliers	**196,999**	1,226
Listing expenses	**–**	3,485
	634,841	397,843

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19. TRADE AND OTHER RECEIVABLES (Continued)

The Group assesses the customer's credit quality by evaluating their historical credit records and defines credit limits for each customer. Recoverability and credit limit of the existing customers are reviewed by the management regularly.

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Within 60 days	**229,020**	234,514
61 to 180 days	**109,820**	96,525
181 days to 1 year	**11,400**	6,145
	350,240	337,184

Included in trade receivables are the following carrying amounts denominated in a currency other than the functional currency of the Group.

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
USD	**319,920**	337,184

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB121,220,000 which are past due as at 31 December 2015 (2014: RMB102,670,000), 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. The Group does not hold any collateral over these balances. The average age of these receivables is 144 days as at 31 December 2015 (2014: 151 days).

19. TRADE AND OTHER RECEIVABLES (Continued)

The following is an aged analysis of the trade receivables based on invoice dates, which are past due but not impaired.

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
61 to 180 days	**109,820**	96,525
181 to 1 year	**11,400**	6,145
	121,220	102,670

20. 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 amount due from a related party and the amount due to a related party represent balances with Benywave Technology and a related company controlled by Ms. Rong, respectively, as at 31 December 2014. Both of them were settled in the year ended 31 December 2015.

The amount due to a related party is denominated in USD, a currency other than the functional currency of the relevant group entity.

21. STRUCTURED DEPOSITS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Structured deposits	**420,000**	–

The amounts represent principal-protected RMB-denominated structured deposits placed by the Company in the licensed commercial bank in the PRC, which carry the interest which is linked to the three-month London Interbank Offer Rate ("LIBOR") with the maturity periods of 181 days, 364 days and 366 days respectively. At maturity, the Company is entitled to receive the principal plus interests. The expected annual interest rate for the structured deposits is indicated at 3.2% to 3.3%, however, the actual interest to be received is uncertain until maturity.

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22. PLEDGED BANK DEPOSITS

The pledged bank deposits represent deposits pledged for bills payable and short-term bank loans. As at 31 December 2015, the above pledged bank deposits carry interest from 0.39% to 3.10% per annum (2014: Nil).

Included in pledged bank deposits are the following amounts denominated in currency other than functional currency of the relevant group entity:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Pledged bank deposits denominated in:		
– USD	**64,937**	–
– HKD	**361,083**	–

23. CASH AND BANK BALANCES

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Cash and bank balances denominated in:		
– USD	**32,966**	8,033
– HKD	**3,618**	10

Bank balances carried interest at market rates which range from 0.01% to 0.39% per annum as at 31 December 2015 (2014: from 0.01% to 0.35%).

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.

24. TRADE PAYABLES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Trade payables to third parties	**350,760**	164,289
Bills payable	**684,228**	–
	1,034,988	164,289

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Within 90 days	**259,830**	163,747
91 to 180 days	**59,069**	542
181 days to 1 year	**27,779**	–
Over 1 year	**4,082**	–
	350,760	164,289

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
USD	**146,410**	45,352

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24. TRADE PAYABLES (Continued)

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Within 90 days	**324,842**	–
91 to 180 days	**359,386**	–
	684,228	–

25. BANK LOAN

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Bank loan-repayable within one year	**16,200**	–

The loan carried fixed interest rate at 4.60% per annum with the maturity date on 16 March 2016. The loan was secured by the pledged bank deposits of US$3,000,000 (approximately to RMB19,481,000).

26. PROVISION

	Warranty provision
	RMB'000
At 1 January 2014	12,478
Additional provision	10,854
At 31 December 2014	23,332
Reversal of provision	(12,989)
At 31 December 2015	10,343

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.

27. SHARE CAPITAL

	Year ended 31 December 2015		
	Number of shares	**per share**	**Share capital**
		HK$	**HK$**
Authorised			
On 12 August 2014 incorporation (i)	500,000	0.1	50,000
Increase on 9 June 2015 (ii)	999,500,000	0.1	99,950,000
At 31 December 2015	1,000,000,000		100,000,000
Issued			
On 12 August 2014 incorporation (i)	100	0.1	10
Shares issued to the shareholders (iii)	900	0.1	90
Shares increased by capitalisation issue (iv)	645,999,000	0.1	64,599,900
Shares issued under global offering (v)	204,000,000	0.1	20,400,000
At 31 December 2015	850,000,000		85,000,000
Presented as			RMB'000
			67,041

	Year ended 31 December 2014		
	Number of shares	per share	Share capital
		HK$	HK$
Authorised			
On incorporation (i)	500,000	0.1	50,000
At 31 December 2014	500,000		50,000
Issued			
On incorporation (i)	100	0.1	10
At 31 December 2014	100		10
Presented as			RMB
			7.94

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27. SHARE CAPITAL (Continued)

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. 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.

(ii) On 9 June 2015, pursuant to a shareholders' resolution, the authorised share capital of the 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.

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

(iv) Pursuant to the written resolution passed by the shareholders of the Company on 9 June 2015 conditional upon the listing of the Company's shares on The Stock Exchange of Hong Kong Limited, the directors were authorised to capitalise the amount of HK$64,599,900 (approximated to RMB50,951,000) from the amount standing to the credit of the share premium account of the Company to pay up in full at par of 645,999,000 shares for allotment and issue to the then existing shareholdings in the Company.

(v) On 26 June 2015, 204,000,000 new shares have been subscribed under the global offering.

28. OPERATING LEASES COMMITMENTS

The Group as lessee

At the end of the year, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Minimum lease payments under operating leases:		
Within one year	**1,984**	–
In the second to third year	**1,792**	–
	3,776	–

The above operating lease payments commitments represent rental payable by the Group for offices and equipment rental. The lease was negotiated for lease terms of one to third years. Monthly rental was fixed for certain lease.

29. 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 for the year 31 December 2015 amounted to RMB3,816,000 (2014: RMB4,254,000).

30. RELATED PARTY TRANSACTIONS

The Group entered into the following transactions with related parties during the year:

(a) Related party transactions

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Purchase of goods from Benywave Technology (i)	**–**	1,169,264
	–	1,169,264

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For the year ended 31 December 2015

30. RELATED PARTY TRANSACTIONS (Continued)

(a) Related party transactions (Continued)

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Rental expenses incurred by Benywave Technology for Overseas Business (ii)	**–**	610
Rental expense incurred by Benywave Wireless (ii)	**818**	341
Equipment rental expense incurred by Benywave Wireless (iii)	**77**	32
Royalty expenses incurred by Benywave Technology for Overseas Business (iv)	**–**	29,967

Notes:

(i) 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 year 2014. After the Group reorganisation, Benywave Wireless entered into agreements with those suppliers directly.

(ii) 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 year 2014. 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.

(iii) The amounts represent rental expenses paid by Benywave Wireless in relation to the lease of equipment from Benywave Technology.

(iv) 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 during the year 2014.

30. RELATED PARTY TRANSACTIONS (Continued)

(b) Remuneration of key management personal of the Group

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Short term employee benefits	**3,165**	3,015
Post-employment benefit	**593**	473
	3,758	3,488

31. SHARE OPTION

On 9 June 2015, a share option scheme was approved and adopted by the board of directors. No share option was granted up to the date of issue of the consolidated financial statements.

32. RESTRICTED SHARE

On 9 June 2015, a restricted share unit ("RSU") scheme was approved and adopted by the board of directors. No RSU was granted up to the date of issue of the consolidated financial statements.

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For the year ended 31 December 2015

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 RMB'000	2014 RMB'000
Non-current asset		
Investment in a subsidiary	–	–
	–	–
Current assets		
Trade and other receivables	839	3,485
Amount due from a subsidiary	42,280	–
Bank balances and cash	3,526	–
Pledged bank deposits	361,083	–
	407,728	3,485
Current liabilities		
Accrual and other payables	45	1,822
Amounts due to a related party	–	4,116
Amounts due to subsidiaries	27,627	10,136
	27,672	16,074
Net current assets (liabilities)	380,056	(12,589)
Total assets less current liabilities	380,056	(12,589)
Net assets (liabilities)	380,056	(12,589)
Capital and reserves		
Share capital	67,041	–
Reserves	313,015	(12,589)
Total equity	380,056	(12,589)

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	Share capital	Share premium	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2015	–	–	(12,589)	(12,589)
Profit and total comprehensive income for the year	–	–	14,024	14,024
Net proceeds from the global offering	16,090	362,531	–	378,621
Capitalisation issue	50,951	(50,951)	–	–
Balance at 31 December 2015	67,041	311,580	1,435	380,056
Balance at 1 January 2014	–	–	–	–
Capital	–	–	–	–
Profit and total comprehensive income for the year	–	–	(12,589)	(12,589)
Balance at 31 December 2014	–	–	(12,589)	(12,589)

Notes to the Consolidated Financial Statements

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34. SUBSIDIARIES

Details of the Company's subsidiaries at the end of the reporting period are set out below.

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Equity interest attributable to the Group 31 December 2015 %	Equity interest attributable to the Group 31 December 2014 %	Principal activities
Vital Mobile Limited ("Vital BVI")*	British Virgin Islands ("BVI") 27 June 2014	United States Dollar ("USD") 1	**100**	100	Investment Holding
Vital Mobile (HK) Limited ("Vital HK.")	Hong Kong 4 July 2014	Hong Kong Dollar ("HKD") 1	**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	**100**	100	Selling mobile telecommunication devices manufacturer and sale of mobile telecommunication related components and accessories, targeting global markets excluding the PRC

Notes:

* Directly held by the Company.

\+ The English name is for identification only.

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