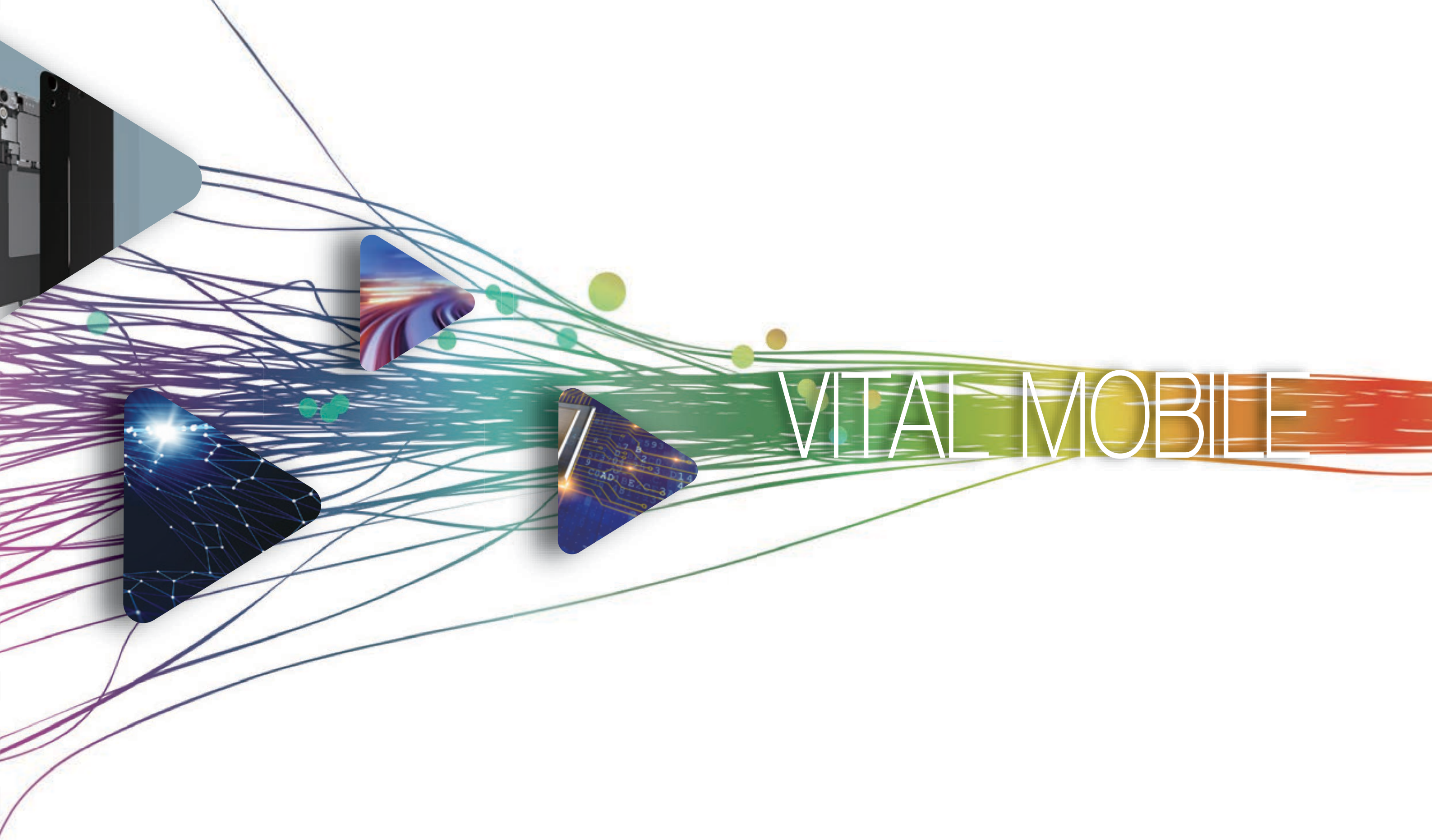
Vital Mobile Holdings Limited
維太移動控股有限公司

(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 2017 年度報告

CONTENTS

Corporate Information	2
Management Discussion and Analysis	4
Directors and Senior Management Profiles	16
Report of the Directors	21
Corporate Governance Report	39
Independent Auditor's Report	52
Consolidated Statement of Profit or Loss and Other Comprehensive Income	57
Consolidated Statement of Financial Position	58
Consolidated Statement of Changes in Equity	60
Consolidated Statement of Cash Flows	61
Notes to the Consolidated Financial Statements	63
Financial Summary	116

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Rong Xiuli *(Chairperson)*
Rong Shengli *(Chief Executive Officer)*
Tang Shun Lam
Yin Xuquan (President, appointed on 1 February 2018)

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
Chui Man Lung, Everett

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
Sidley Austin

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
OTPO-Merchatronics Industrial Park
Zhongguancun Science 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

Conyers 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

BUSINESS REVIEW

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

Impairment of software IP

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

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

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

Market Review

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

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

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

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

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

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

2017 First and Second Half Performance Comparison

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

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

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

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

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

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

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

Competition

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

Outlook

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

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

FINANCIAL REVIEW

Revenue

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

	For the year ended 31 December			
	2017		2016	
	RMB'000	**%**	*RMB'000*	%
Mobile telecommunication devices	**195,742**	**99.8**	392,017	96.5
Mobile telecommunication devices component packs	**–**	**–**	11,494	2.8
Mobile device components	**400**	**0.2**	2,623	0.7
	196,142	**100.0**	406,134	100.0

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

The Group's revenue generated from sales of mobile telecommunication devices decreased from approximately RMB392.0 million for the year ended 31 December 2016 to approximately RMB195.7 million for the year ended 31 December 2017, representing a decrease of 50.1%. During the year ended 31 December 2017, the Group's revenue was mainly derived from 4G smartphones. The decrease in revenue was mainly due to the lost of two major customers in India and Hong Kong in 2017.

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

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

Notes:

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

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

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

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

Gross profit and gross profit margin

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

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

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

Research and development costs

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

Selling and distribution expenses

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

Administrative expenses

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

Other income

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

Taxation

Income tax decreased by approximately RMB1.6 million or 44.4% to RMB2.0 million for the year ended 31 December 2017 from RMB3.6 million for the corresponding period in 2016. The decrease was mainly attributable to the loss for the year. Benywave Wireless was entitled to apply a preferential tax rate of 15%, while the Company's subsidiary incorporated in Hong Kong is subject to the Hong Kong Profits Tax at 16.5%.

Liquidity and source of funding

As at 31 December 2017, the Group's total cash and bank balances increased by RMB26.2 million from RMB16.3 million as at 31 December 2016 to RMB42.5 million.

As at 31 December 2017, the current ratio (calculated based on the total current assets as of the respective dates divided by the total current liabilities as of the respective dates) of the Group was 4.9 compared with 2.5 at 31 December 2016.

Foreign exchange exposure

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

Material acquisitions and disposals

The Group has no material acquisitions and disposals for the year ended 31 December 2017.

Trade and other receivables

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

In assessing the recoverability of trade receivables and determining the allowance for doubtful debts, the management considers the credit history including default or delay in payments, subsequent settlements and aging analysis of the trade receivables, on the basis of management estimation, the allowance of trade receivables was approximately RMB20.4 million as at 31 December 2017.

Intangible Assets

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

Inventories

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

Contingent liabilities and commitments

At the end of the year 2017, the Group had commitments for future minimum lease payments under non-cancellable operating leases which amounted to RMB3.4 million. The operating lease payments commitments represent rental payable by the Group for offices, warehouses and equipment rental. The lease was negotiated for lease terms of one to three years. Monthly rental was fixed for certain lease.

Continuing connected transactions

Pursuant to an equipment lease agreement made between Benywave Technology and Benywave Wireless, Benywave Technology has let certain equipment and facilities to Benywave Wireless for handset testing purpose. Amounting to RMB66,180 rental expenses were incurred by Benywave Wireless for the year ended 31 December 2017.

Pursuant to a lease agreement made between Beijing Tianyu Communication Equipment Co., Ltd. ("Tianyu") and Benywave Wireless, Tianyu has let the premises situated at Zone A, 4th Floor, No. 55, Jiachuang Second Road, Zhongguancun Science Park, OPTO-Merchatronics Industrial Park, Tongzhou District, Beijing, China to Benywave Wireless for carrying on its business. Amounting to RMB737,000 rental expenses were incurred by Benywave Wireless for the year ended 31 December 2017.

Related party transactions

Pursuant to a service agreement made between Henan Ketai Lexun Communication Equipment Industry Park Co. Ltd ("Ketai") and Benywave Wireless, Ketai provided declaring and export tax refund service to Benywave Wireless for the oversea sales. The service expense incurred was RMB210,000 for the year ended 31 December 2017.

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

Dividends

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

There is no arrangement that a shareholder of the Company has waived or agreed to waive any dividend.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

1. **Ms. Rong Xiuli**

   Executive Director and Chairperson

   Ms. Rong Xiuli ("Ms. Rong"), aged 54, 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 (spouse of Ms. Rong) 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 23 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 an elder sister of Mr. Rong Shengli, chief executive officer and executive Director of the Company.

* *for identification purposes only*

2. **Mr. Rong Shengli**

Executive Director and Chief Executive Officer

Mr. Rong Shengli ("Mr. Rong"), aged 47, is a chief executive officer, 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 approximately 18 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, chairperson and executive Director of the Company.

3. **Mr. Tang Shun Lam**

Executive Director

Mr. Tang Shun Lam ("Mr. Tang"), aged 62, is the executive Director of the Company. 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. 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. Mr. Tang has been appointed as non-executive director of Sunnywell(China)New Material Technology Co., Ltd (stock quotation on "NEEQ" National Equities Exchange and Quotations, the stock code is 871214) with effect from 6 April 2017. 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.

4. **Mr. Yin Xuquan**

Executive Director and President

Mr. Yin Xuquan ("Mr. Yin") aged 53, has been appointed as an executive Director and a president of the Company with effect from 1 February 2018. Mr. Yin has over 15 years of experience in the telecommunication equipment industry in the People's Republic of China and held various managerial positions in China National Postal and Telecommunications Appliances Corporation* (中國郵電器材集團公司) during the period from February 2002 to January 2018, where he had accumulated extensive experience in corporate management. Mr. Yin graduated from Heilongjiang University (黑龍江大學) with a bachelor's degree in finance and tax in July 2006, and received an executive master degree of business administration (EMBA) from South China University of Technology (華南理工大學) in July 2011.

5. **Mr. Hon Kwok Ping, Lawrence**

Independent Non-executive Director

Mr. Hon Kwok Ping, Lawrence ("Mr. Hon"), aged 69, 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 approximately 33 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 Investment Group Limited (formerly known as Courage Marine Group Limited, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited, stock code: 1145) and he is currently the director of finance and the joint company secretaries. He is a CPA with fellow membership of the Hong Kong Institute of Certified Public Accountants and the Association of International Accountants, UK.

* *for identification purposes only*

6. **Mr. Lam Yiu Kin**

Independent Non-executive Director

Mr. Lam Yiu Kin ("Mr. Lam"), aged 63, 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 (HK) 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) since 2015; (iii) Global Digital Creations Holdings Limited (the shares of which are listed on the GEM, stock code: 8271) since 2015; (iv) Shougang Concord Century Holdings Limited (the shares of which are listed on the Main Board, stock code: 103) since 2015; (v) COSCO SHIPPING Ports Limited (the shares of which are listed on the Main Board, stock code: 1199) since 2015; (vi) Nine Dragons Paper (Holdings) Limited (the shares of which are listed on the Main Board, stock code: 2689) since 2016; (vii) WWPKG Holdings Company Limited (the shares of which are listed on the GEM, stock code: 8069) since 2016; (viii) CITIC Telecom International Holdings Limited (the shares of which are listed on the Main Board, stock code: 1883) with effect from 1 June 2017; and (ix) Bestway Global Holding Inc. (the shares of which are listed on the Main Board, stock code: 3358) with effect from 18 October 2017.

Mr. Lam resigned as an independent non-executive director of Mason Group Holdings Limited (formerly known as "Mason Financial Holdings Limited") (the shares of which are listed on the Main Board, stock code: 273) with effect from 24 May 2017. Mr. Lam was the independent non-executive director of Royal Century Resources Holdings Limited (Formerly known as "Kate China Holdings Limited", the shares of which are listed on the GEM, stock code: 8125) from 2014 to 2015.

Mr. Lam has approximately 43 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 was an adjunct professor in the School of Accounting and Finance of The Hong Kong Polytechnic University from 2014 to 2016, and a member of the finance management committee of the Hong Kong Management Association until July 2016. 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.

7. Mr. Tsang Yat Kiang

Independent Non-executive Director

Mr. Tsang Yat Kiang ("Mr. Tsang"), aged 69, 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 Financial Group Company Limited (formerly known as Lerado Group (Holding) Company Limited, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited, stock code: 1225), where he was the vice chairman from 1998 to 2003. Mr. Tsang has been the director of 中山市高兒萊茵日用制品有限公司(Zhongshan Chloe Ryan Industrial Co., Ltd.*) since 2006, where he is responsible for strategic and financial planning and business development. Mr. Tsang has approximately 23 years of experience in corporate governance and management.

8. Mr. Lam Man Kit

Chief Financial Officer

Mr. Lam Man Kit ("Mr. Lam"), aged 61, has approximately 39 years of experience in financial management, accounting and corporate finance. Since 1980's Mr. Lam has been serving local and international companies in senior positions such as chief financial officer, consultant, financial controller, regional controller, cost accounting manager and other positions. Prior to joining the Company, Mr. Lam was the chief financial officer of the group of Draper Athena from July 2015 to May 2016, where he was responsible for financial functions for the fund and management companies located in People's Republic of China, the United States of America, Korea and Hong Kong. Before that, he was the chief financial officer of Coolsand Technologies Limited from 2009 to 2015; a consultant of Yeton Venture Limited from 2008 to 2009; the executive director and chief financial officer of Wanji Group Limited from 2001 to 2007; the financial controller of Whirlpool Home Appliance Co. Ltd. from 1995 to 2001; the regional controller of Amphenol East Asia Limited from 1986 to 1995; and he also worked for Fairchild Semiconductor (HK) Ltd. from 1978 to 1986 first as accountant and subsequently as cost accounting manager. Mr. Lam obtained a diploma in accounting and business management from Hong Kong Baptist University in 1978.

* *for identification purposes only*

Save as otherwise disclosed, there is no relationship (including financial/business/family or other material/relevant relationship) between any members of the Board, and no information relating to the Directors which is required to be disclosed pursuant to Rules 13.51(2) and 13.51B(1) of the Listing Rules.

The directors of the Company (the "Directors") present their report and the audited consolidated financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2017.

PRINCIPAL PLACES OF BUSINESS

The Company incorporated in Cayman Islands. The principal places of business of the Company are located in Beijing and Hong Kong, the People's Republic of China.

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 36 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 Management Discussion and Analysis on pages 4 to 15 of this Annual Report. Particulars of important events affecting the Company that have occurred since the end of the financial year ended 31 December 2017 are set out in the paragraph headed "Event after Reporting Period" of this Annual Report.

The financial risk management objectives and policies of the Group are shown in note 31 to the financial statements.

ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to supporting the environmental sustainability. The Group is subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. These include regulations on air and noise pollution and discharge of waste and water into the environment. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations. During the year under review, the Group has complied with relevant laws and regulations that have significant impact on the operations of the Group. Further, any changes in applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that employees, customers and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners.

The Company provides a fair and safe workplace, promotes diversity to its staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions. The Group understands that it is important to maintain good relationship with customers and provide the products in a way that satisfy needs and requirements of the customers. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the products so that the Group can respond proactively. The Group has also established procedures in place for handling customers' complaints to ensure customers' complaints are dealt with in a prompt and timely manner. The Group is also dedicated to develop good relationship with suppliers and contractors as long-term business partners to ensure stability of the Group's business.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss on page 57 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: HK2.000 cents per share)

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 116 of this annual report. This summary does not form part of the audited financial statements.

SHARE CAPITAL

Details of movements of the share capital of the Company during the year ended 31 December 2017 are set out in note 26 to the consolidated financial statements.

SHARE OPTION 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 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, representing 10% of the total number of share of the Company in issue as at the date of this annual report.

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.

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 had been granted by the Company.

RESTRICTED SHARE UNIT SCHEME

The Company adopted Restricted Share Unit Scheme (the "RSU Scheme") on 9 June 2015. Details of the RSU Scheme are set out in the section headed "Statutory and General Information – D. RSU Scheme" in Appendix IV to the prospectus of the Company dated 16 June 2015.

The Company has appointed The Core Trust Company Limited as an independent trustee service provider to assist the administration and vesting of the RSUs. The RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by the Company to subscribe for new Shares.

GRANT OF RESTRICTED SHARE UNITS

Pursuant to the announcement on 2 November 2016, the Company has granted 32,300,000 RSUs to the grantees (the "Grantees"), subject to the acceptance of the Grantees. Details of the RSUs granted to the Grantees are as follows:

Date of grant	Vesting date	Number of RSUs granted	Number of underlying Shares involved
2 November 2016	2 November 2016	10,766,655	10,766,655
2 November 2016	2 November 2017	10,766,655	10,766,655
2 November 2016	2 November 2018	10,766,690	10,766,690
Total		32,300,000	32,300,000

An award of RSUs under the RSU Scheme gives the respective Grantees a conditional right when the granted RSUs vests to obtain either ordinary shares of HK$0.10 each in the Company (the "Shares") or an equivalent value in cash with reference to the value of the Shares on or about the date of vesting, as determined by the Board in its sole discretion.

CONNECTED GRANTEES

An aggregate of 32,300,000 RSUs were granted to the Grantees, of which 8,050,000 RSUs in aggregate were granted to five Directors (the "Connected Grantees") who are the connected persons of the Company pursuant to Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), and 24,250,000 RSUs were granted to the remaining Grantees who are not Directors, chief executive, or substantial shareholder of the Company or its subsidiaries, nor an associate (as defined in the Listing Rules) of any of them. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the remaining Grantees are third parties independent of the Company and its connected persons. Details of the RSUs granted to the Connected Grantees are as follows:

Name of Connected Grantees	Position	Number of RSUs granted
Mr. Rong Shengli	Chief executive officer and executive Director	3,720,000
Mr. Tang Shun Lam	Executive Director	3,400,000
Mr. Lam Yiu Kin	Independent non-executive Director	310,000
Mr. Hon Kwok Ping Lawrence	Independent non-executive Director	310,000
Mr. Tsang Yat Kiang	Independent non-executive Director	310,000

In accordance with the RSU Scheme, the grants of the RSUs to the above Directors have been approved by all the independent non-executive Directors (excluding the independent non-executive Director who is the proposed grantee of such RSUs).

Each of the Connected Grantees has declared his interest in the grants of the RSUs to himself and abstained from voting on the relevant board resolutions in relation thereto.

Under the RSU Scheme, the maximum number of Shares underlying RSUs permitted to be granted shall not exceed 32,300,000 Shares (excluding Shares underlying RSUs that have lapsed or been cancelled in accordance with the RSU Scheme) (the "RSU Limit"). Consequently, RSUs have been granted up to the full RSU Limit.

REASONS FOR AND BENEFITS OF THE GRANT OF RESTRICTED SHARE UNITS

The purposes of RSU Scheme are (i) to recognize the contributions of the RSU grantees to the Group or its business; (ii) to give incentives to the RSU grantees in order to retain them for the continual operation and development of the Group; and (iii) to attract suitable personnel for the development of the Group. An aggregate of 32,300,000 RSUs were granted to the Grantees since the Grantees have made valuable contributions to the Group which should be recognized and (where applicable) should be provided with incentives for their continuing contribution to the Group.

In respect of the grant of RSUs to the Grantees (including Connected Grantees), the independent non-executive Directors, having considered the aforesaid reasons, are of the view that the grant of RSUs to the Grantees (including Connected Grantees) are transactions entered into on normal commercial terms, which are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

DISTRIBUTABLE RESERVES

At 31 December 2017, the Company's reserves available for distribution calculated in accordance with the provisions of the Companies Law of the Cayman Islands amounted to approximately RMB729.6 million.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2017, the Group's top five largest customers accounted for 45.4% (2016: 94.7%) of our revenues and the single largest customer accounted for 13.8% (2016: 56.5%) of our revenues. The Group's top five suppliers accounted for 72.1% (2016: 72.3%) of our cost of revenue and the single largest supplier accounted for 20.7% (2016: 37.8%) of our cost of revenue.

The largest supplier of the Group for the year ended 31 December 2017 was Zhengzhou Tianzhichuang Supply Chain Management Co., Ltd. (鄭州天之創供應鏈管理有限公司) ("Zhengzhou Tianzhichuang"), a limited liability company established in the PRC and is owned as to (i) 80% by two independent third parties; and (ii) 20% by Henan Tianzhichuang Communication Technology Company Limited (河南天之創通信科技有限公司), a wholly owned subsidiary of Tianyu which is in turn owned as to 90% by Ms. Rong and 10% by Mr. Ni. All of the board members of Zhengzhou Tianzhichuang are nominated by the two independent third parties. Accordingly, Zhengzhou Tianzhichuang is not a connected person of the Company under Chapter 14A of the Listing Rules.

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 customers and suppliers.

RELATED PARTY TRANSACTIONS

The Group entered into certain transactions with parties regarded as "Related Parties" under applicable accounting principles. These mainly relate to contracts entered into by the Group in the ordinary course of business, which contracts were negotiated on normal commercial terms and on an arm's length basis.

Further details are set out in note 30 to the financial statements. Some of these transactions also constituted "Continuing Connected Transactions" under the Listing Rules, as identified below.

CONTINUING CONNECTED TRANSACTIONS

Save as disclosed herein, during the year ended 31 December 2017, 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 below:

i. 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 with an annual rental fee of RMB737,000; and

ii. 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 with an annual rental fee of RMB66,180.

* *for identification purposes only*

The Board, including the independent non-executive Directors, has reviewed and confirmed that the fees were:

i. in the ordinary course of business of the Group;

ii. 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. in accordance with the terms of the lease agreements that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

NON-COMPETITION UNDERTAKING

Each of Ms. Rong Xiuli, Mr. Ni Gang (spouse of Ms. Rong Xiuli), Winmate Limited, 北京百納威爾科技有限公司 (Beijing Benywave Technology Co., Ltd.*) ("Benywave Technology") and 北京天宇朗通通信設備股份有限公司 (Beijing Tianyu Communication Equipment Co. Ltd.*)("Tianyu") (collectively the "Covenantors"), has entered into a deed of non-competition and undertaking dated 9 June 2015 (the "Deed of Non-Competition") in favor of the Company (for itself and on behalf of its subsidiaries from time to time), pursuant to which each of the Covenantors irrevocably and unconditionally undertakes to and covenants with the Company that each of them will not and procure that none of their respective associates and subsidiary (for a Covenanter which is a company) other than any member of the Group shall:

i. whether as principal or agent and whether undertaken directly or indirectly in his/its/their own account or in conjunction with or on behalf of or through any person, firm, body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, carry on, participate in, acquire, or hold (whether as a shareholder, partner, agent or otherwise) any right or interest or otherwise be interested, involved or engaged in or concerned with, directly or indirectly, any business which competes or may compete with the business of developing, designing, production management and selling of mobile telecommunication devices on original design manufacturer ("ODM") basis and its related components and accessories, targeting global markets excluding People's Republic of China (the "PRC") (the "Overseas Business") in any part of the world including but not limited to undertaking the manufacture of mobile telecommunication devices on ODM basis;

ii. sell or distribute or cause or allow the sale or distribution of the own-branded mobile telecommunication devices of Benywave Technology and Tianyu and their subsidiaries or any of them (collectively the "Excluded Group") to any territory outside the PRC and, in connection therewith, the Covenantors shall procure that in all distribution agreements between any member of Excluded Group and its distributors a clause restricting the sale or distribution of such own-branded mobile telecommunication devices outside PRC shall be incorporated; and

iii. alone or jointly with or on behalf of any person,

a. induce or attempt to induce any director, employee or consultant of the Group to terminate his/her/its employment or consultancy (as appropriate) with the Group, whether or not such act of that person would constitute a breach of that person's contract of employment or consultancy with the Group (as appropriate);

b. canvass or solicit or attempt to canvass or solicit any order for business which competes or may compete with the Overseas Business; and

c. persuade any person who has dealt with the Group or who is in the process of negotiating with the Group in relation to the Overseas Business to cease to deal with the Group, or reduce the amount of business which that person would normally do with the Group or seek to improve their terms of trade with any member of the Group.

Details of the Deed of Non-Competition are set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus of the Company dated 16 June 2015.

The Company confirms that each of the Covenantors have complied with the Deed of Non-Competition for the year ended 31 December 2017. In order to ensure the Covenantors have complied with the Deed of Non-Competition, the following actions have been taken:

i. the Company has required each of the Covenantors to give written confirmation to the Company on an annual basis as to whether he/she/it has complied with the Deed of Non-Competition for the year ended 31 December 2017;

ii. each of the Covenantors has provided to the Company such written confirmation (a) in respect of his/her/its compliance with the Deed of Non-Competition for the year ended 31 December 2017; and (b) stating that he/she/it has not been offered or becomes aware of any investment or commercial opportunity directly or indirectly relating to the Overseas Business in any part of the world including but not limited to supply of mobile telecommunications devices on ODM basis in the PRC; and

iii. the independent non-executive directors of the Company have reviewed the written confirmation made by the Covenantors of compliance by each of the Covenantors with the undertakings in the Deed of Non-Competition and have also reviewed the status of the compliance by each of the Covenantors with the undertakings in the Deed of Non-Competition and have confirmed that, as far as they can ascertain, there is no breach by any of the Covenantors of the undertakings in the Deed of Non-Competition given by them.

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
Mr. Yin Xuquan (President, appointed on 1 February 2018)

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, 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. Mr. Yin Xuquan shall retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

Pursuant to Article 84(1) of the Company's Articles of Association, one-third of the Directors shall retire from office by rotation and every Director shall be subject to retirement at an annual general meeting at least once every three years. Mr. Rong Shengli and Mr. Hon Kwok Ping, Lawrence shall retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Company are set out on pages 16 to 20 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 Listing Rules on 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year under review.

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 2017, 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:

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 Personal interest	568,480,000 (L)	66.88%
Rong Shengli	Personal interest	3,720,000 (L)	0.44%
Tang Shun Lam	Personal interest	3,400,000 (L)	0.40%
Hon Kwok Ping Lawrence	Personal interest	310,000 (L)	0.04%
Lam Yiu Kin	Personal interest	310,000 (L)	0.04%
Tsang Yat Kiang	Personal interest	310,000 (L)	0.04%

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.

(3) As at 31 December 2017, 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 2017, 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 2017, 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 2017, 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:

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 [(5)]
Winmate	Beneficial owner	480,624,000 (L)	56.54%
Ms. Rong [(2)]	Interest in a controlled corporation	568,480,000 (L)	66.88%
Mr. Ni [(2)]	Interest in a controlled corporation Spouse of Ms. Rong	568,480,000 (L)	66.88%
Yardley Finance Limited [(3)]	Person having a security interest in shares	533,480,000 (L)	62.76%
Mr. Chan Kin Sun [(4)]	Interest in a controlled corporation	533,480,000 (L)	62.76%

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.

(3) Yardley Finance Limited("Yardley") is the beneficial owner of 533,480,000 Shares of which 480,624,000 shares were charged by Winmate.

(4) Yardley is owned by Mr. Chan Kin Sun. Therefore, Mr. Chan Kin Sun is deemed to be interested in the Shares held by Yardley.

(5) As at 31 December 2017, the issued share capital is 850,000,000 Shares.

Save as disclosed above, as at 31 December 2017, 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

The shares of the Company were successfully listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 26 June 2015. The net proceeds received from the initial public offering ("IPO"), after deducting underwriting fees and other expenses in relation to the IPO, were approximately HKD484 million (equivalent to approximately RMB 405 million). Such net proceeds were deposited at the Group's bank accounts. As at 31 December 2017, the net proceeds were used as follows:

		Proceeds		
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 amounts** in HK$ million (RMB equivalent)
Purchasing raw materials to expand our raw sourcing capacity	45.5	220(184)	220(184)	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(110)	0(0)	131(110)
Expanding our research and development capabilities	12.5	61(51)	61(51)	0
Setting up a new quality testing laboratory, employing additional quality testing personnel and purchasing additional quality testing equipment	5	24(20)	0(0)	24(20)
General working capital	10	48(40)	48(40)	0(0)
Total	100	484(405)	329(275)	155(130)

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 2017.

COMPETING INTERESTS

As at 31 December 2017, 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.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the group as at 31 December 2017 are set out in note 22 to the financial statements.

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 2017 are set out in note 10 and note 11 to the consolidated financial statements.

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 employees in the PRC, and operates a Mandatory Provident Fund scheme for the employees in Hong Kong. Particulars of these retirement plans are set out in note 29 to the consolidated financial statements.

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 39 to 51 of this annual report.

EVENT AFTER REPORTING PERIOD

Reference is made to the announcement of the Company dated 15 June 2017 in relation to (1) Major and connected transaction in relation to the acquisition of 70% equity interest in the target company and (2) possible continuing connected transactions in relation to the loan advancements; and the announcement of the Company dated 29 March 2018 in relation to termination of (1) major and connected transaction in relation to the acquisition of 70% equity interest in the target company; and (2) possible continuing connected transactions In relation to the loan advancements.

The Board considered that the Purchaser (an indirect wholly-owned subsidiary of the Company), the Vendor, Ms. Rong, Beijing Tianyu and the Target Company have, after taking into consideration that one or more of the conditions precedent to the Acquisition could not be fulfilled, agreed to terminate the Equity Transfer Agreement. On 29 March 2018, the parties to the Equity Transfer Agreement entered into a termination agreement (the "Termination Agreement") to terminate the Equity Transfer Agreement.

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

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

CHARITABLE DONATIONS

The Group does not make charitable donations in the year 2017. (2016: Nil)

CHANGES IN INFORMATION OF DIRECTORS

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

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

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

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

AUDIT COMMITTEE

The Company has 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 2017, including the accounting principles and practices adopted by the Group.

AUDITORS

The financial statements for the year ended 31 December 2017 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, 28 March 2018

CORPORATE GOVERNANCE PRACTICES

The board (the "Board") of directors (the "Directors") of the Company is committed to maintaining a solid, transparent and sensible framework of corporate governance for the Company and its subsidiaries and will continue to review its effectiveness.

The Company has adopted the Code Provisions ("Code Provisions") as stated in the Corporate Governance Code and Corporate Governance Report ("CG Code") contained in Appendix 14 to the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") as the Corporate Governance Code of the Company. The Board is committed to complying with the Code Provisions as stated in the CG Code to the extent that the Directors of the Company consider it is applicable and practical to the Company.

During the year under review, the Company has complied with the Code Provisions in the CG Code.

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 2017.

BOARD OF DIRECTORS

During the reporting period and up to the date of this report, the Board comprises four Executive Directors and three Independent Non-executive Directors. The Directors were:

Executive Directors

Ms. Rong Xiuli *(Chairperson)*
Mr. Rong Shengli *(Chief executive officer)*
Mr. Tang Shun Lam
Mr. Yin Xuquan *(President, appointed on 1 February 2018)*

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 16 to 20 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 Provisions 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 2017, 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 Directors 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.

Code Provisions A.4.1 of CG Code states that Non-executive directors should be appointed for a specific term, subject to re-election.

Code Provisions 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. Each of the Directors of the Company has been appointed for a specific term of 3 years and is subject to retirement by rotation once every three years. 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.

During the year ended 31 December 2017, the attendance records of the Directors to the board meetings are set out below:

Name of Directors	No. of meeting attended/ No. of meetings held
Executive Directors	
Ms. Rong Xiuli	7/7
Mr. Rong Shengli	7/7
Mr. Tang Shun Lam	7/7
Mr. Yin Xuquan (appointed on 1 February 2018)	N/A
Independent Non-Executive Directors	
Mr. Hon Kwok Ping, Lawrence	7/7
Mr. Lam Yiu Kin	7/7
Mr. Tsang Yat Kiang	7/7

COMPANY SECRETARY

The Company's secretarial functions are outsourced to external service provider. Pursuant to Appendix 14 paragraph N(a) of the Listing Rules, the primary contact person at the Company is Mr. Lam Man Kit, the Chief Financial Officer 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.

As at 31 December 2017, 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

Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution into the Board remains informed and relevant. The directors are committed to complying with the CG Code A.6.5 on directors' training. All directors have participated in continuous professional development by attending seminars and/or studying materials relevant to director's duties and responsibility and provided a record of training they received for the financial year ended 31 December 2017 to the Company.

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 and make recommendations to the Board;

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

(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 of the Company; 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 execution 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 2017, the Remuneration Committee comprises Independent Non-executive Directors, Mr. Tsang Yat Kiang as the chairman, Mr. Hon Kwok Ping, Lawrence and Mr. Lam Yiu Kin, and an Executive Director, Ms. Rong Xiuli. 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 Provisions 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.

As at 31 December 2017, there was one meeting held by the Remuneration Committee to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration package of the executive Directors and senior management and other related matter.

Details of the remuneration paid to Directors and members of senior management by band for the year ended 31 December 2017 are disclosed in note 10 and note 30 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)*	1/1
Mr. Hon Kwok Ping, Lawrence	1/1
Mr. Lam Yiu Kin	1/1
Ms. Rong Xiuli	1/1

NOMINATION COMMITTEE

As at 31 December 2017, the Nomination Committee comprises Independent Non-executive Directors, Mr. Tsang Yat Kiang as the chairman, Mr. Hon Kwok Ping, Lawrence and Mr. Lam Yiu Kin, and an Executive Director, Ms. Rong Xiuli. The majority of the members of the Nomination 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. Pursuant to the terms of reference, the Nomination Committee shall hold meetings when necessary and may also deal with matters by way of circulation of written resolutions.

As at 31 December 2017, one Nomination Committee meeting was held to (i) review of the structure, size and diversity of the Board; (ii) assessment and confirmation of the independence of the INEDs; (iii) consider the re-appointment of retiring directors at the annual general meeting of the Company; and (iv) review and approve the board diversity policy of the Company.

AUDIT COMMITTEE

As at 31 December 2017, the Audit Committee comprises 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. As at 31 December 2017, there were four meetings held by the Audit Committee to (i) review and discuss the key audit matters, annual report for the year ended 31 December 2016 and re-appointment of Deloitte as auditor; (ii) review and approve 3 years' internal Audit Plan and Internal Audit Charter; (iii) review and discuss with the auditor the unaudited financial statements for the six months ended 30 June 2017; and (iv) review and discuss the unaudited quarterly results for the four months ended 31 October 2017, business forecast and 2018 budgeting.

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)*	4/4
Mr. Tsang Yat Kiang	4/4
Mr. Hon Kwok Ping, Lawrence	4/4

RISK MANAGEMENT COMMITTEE

As at 31 December 2017, the Risk Management Committee comprises Independent Non-executive Director, Mr. Hon Kwok Ping, Lawrence as the chairman, 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 shall be held at least once a year.

As at 31 December 2017, there were three meetings held by the Risk Management Committee to (i) review and discuss the internal control, risk management framework, risk assessment for the year of 2016; (ii) review and discuss the Risk Assessment Report for the financial year 2017; and (iii) review and discuss the Risk Assessment Report (focus on internal control), 3 year's Internal Audit Plan and risk management proposal for management.

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)*	3/3
Ms. Rong Xiuli	3/3
Mr. Rong Shengli	3/3

AUDITORS' REMUNERATION

During the year, the Group was charged by the auditor, Deloitte Touche Tohmatu, the following auditing services as follows:

Service rendered	**Fees paid/payable**
	RMB$'000
Audit services	4,660

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 2017 and for the year ended 31 December 2017, 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.

The Directors acknowledge their responsibility to prepare the financial statements as set out on page 59. The statement of the external auditors about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" on pages 52 to 56 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

In order to comply with the applicable code provisions of the CG Code as set out in Appendix 14 to the Hong Kong Listing Rules, the Board has the responsibilities for evaluating and determining the nature and level of risk tolerance of the Company, establishing and maintaining sound and effective risk management and internal control systems, and overseeing and reviewing the design, implementation and monitoring of such risk management and internal control systems on an ongoing basis, so as to safeguard shareholders' interest and protect the Company's assets against unauthorized use or disposal. The Board is also responsible for ensuring maintenance of proper accounting records to provide reliable financial information and compliance with relevant laws and regulations.

The risk management and internal control systems established by the Group are aimed to manage rather than eliminate the risk of failure to achieve business objectives, and provide reasonable and not absolute assurance against material misstatements or losses caused by judgment in decision making process, human error, fraud or other irregularities.

During the year, through engaging Crowe Horwath (HK) Corporate Consultancy Limited and collaborating with risk management and internal control personnel, the Group has established an internal audit charter to define the scope and duties and responsibilities of the internal audit function and its reporting protocol. The Group has also conducted an annual risk assessment for the year to identify respective strategic risks, operational risks, financial risks and compliance risks of its major business segments. Based on the outcome of the risk assessment and following a risk-oriented methodology audit approach, the Company has devised a three-year audit plan that prioritized the significance of the risks identified into annual audit project to assist the Board, the Audit Committee and the Risk Management Committee in assessing the efficacy of the Group's risk management and internal control systems. The Company has also formulated policies on handling and dissemination of inside information, which set out procedures in handling inside information in a secure and proper manner as well as those aimed to avoid mishandling of inside information of the Group.

The Board has discussed and reviewed its risk management and internal control systems with the review covered also the compliance with code provisions as set out in Appendix 14 to the Hong Kong Listing Rules and the validity of material controls (including financial, operational and compliance controls) at entity and operational levels. Based on the outcome of the review performed by the Company's Audit Committee, Risk Management Committee, administrative management, Internal Compliance Coordinators and the independent professional consultant, the Directors considered and were of the opinion that the Group has maintained adequate and effective risk management and internal control systems for the year ended 31 December 2017.

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, signed by the requisitionists and deposit 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 notice 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 feedback 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 independent 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.

Deloitte. 德勤

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

Opinion

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 57 to 115, which comprise the consolidated statement of financial position as at 31 December 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting standard Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue Recognition	
We identified the revenue recognition of mobile telecommunication devices as a key audit matter due to a significant increase of revenue from new customers recorded by the Group in the fourth quarter of 2017. Revenue from the sales of mobile telecommunication devices is recognised when the products are delivered and titles have passed. The accounting policy for revenue recognition is disclosed in Note 3 to the consolidated financial statements. The Group has recognised revenue from mobile telecommunication devices of approximately RMB195,742,000 for the year ended 31 December 2017, and the details are disclosed in Note 5 to the consolidated financial statements.	Our procedures in relation to revenue recognition included: • Tracing a significant proportion of the recorded sales transactions to sales orders, invoices, delivery notes or goods receipt notes and bank-in slips with an emphasis on the sales transactions recorded in the fourth quarter of 2017; • Performing background searches and interviews with new customers having significant sales transactions with the Group; and • Obtaining direct external confirmations on a significant proportion of total revenue from the Group's new customers.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Yu Kin Man.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	**2017** **RMB'000**	2016 RMB'000
Revenue	5	**196,142**	406,134
Cost of sales		**(220,418)**	(386,291)
Gross (loss)profit		**(24,276)**	19,843
Other gains and losses	6	**(29,216)**	25,034
Other income	7	**14,082**	19,226
Research and development costs		**(264)**	(9,523)
Selling and distribution expenses		**(5,758)**	(10,736)
Administrative expenses		**(62,194)**	(24,603)
Interest expenses		**(103)**	(178)
(Loss)profit before tax	8	**(107,729)**	19,063
Income tax expense	9	**(1,977)**	(3,567)
(Loss)profit and total comprehensive (expense)income for the year attributable to equity holders of the Company		**(109,706)**	15,496
Basic (loss)earnings per share (RMB per share)	12	**(0.13)**	0.02

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	Notes	**2017 RMB'000**	2016 RMB'000
Non-current assets			
Equipment		**197**	109
Intangible asset	14	**–**	44,895
Deferred tax assets	15	**–**	1,982
		197	46,986
Current assets			
Inventories	16	**41,128**	27,363
Trade and other receivables	17	**74,499**	376,213
Pledged bank deposits	18	**88,230**	475,710
Bank deposits	19	**670,000**	430,857
Cash and bank balances	20	**42,492**	16,257
		916,349	1,326,400
Current liabilities			
Trade and bills payables	21	**92,175**	439,208
Bank loans	22	**19,024**	–
Accrual and other payables	23	**23,614**	20,601
Deposits received from customers		**48,650**	16,133
Tax liabilities		**3,531**	13,389
Amount due to the controlling shareholder	24	**–**	30,521
Provision	25	**–**	2,464
		186,994	522,316
Net current assets		**729,355**	804,084
Total assets less current liabilities		**729,552**	851,070
Net assets		**729,552**	851,070

	Notes	2017 RMB'000	2016 RMB'000
Capital and reserves			
Share capital	26	**67,041**	67,041
Share premium and reserves		**662,511**	784,029
Equity attributable to equity holders of the Company		**729,552**	851,070

The consolidated financial statements on pages 57 to 115 were approved and authorised for issue by the board of directors on 28 March, 2018 and are signed on its behalf by:

Rong Xiuli
Director

Rong Shengli
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Attribute to equity holders of the Company						
	Share capital RMB'000 (Note 26)	Share premium RMB'000	Share-based payment reserve RMB'000	Special reserve RMB'000 (i)	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2016	67,041	311,580	–	275,060	–	203,303	856,984
Profit and total comprehensive income for the year	–	–	–	–	–	15,496	15,496
Recognition of equity-settled share-based payment (Note 27)	–	–	14,053	–	–	–	14,053
Shareholder's contribution attributable to share-based payment (Note 27)	–	–	(10,132)	–	10,132	–	–
Dividends recognised as distribution (Note 13)	–	–	–	–	–	(36,729)	(36,729)
Shareholder's contribution (ii)	–	–	–	–	1,266	–	1,266
At 31 December 2016	67,041	311,580	3,921	275,060	11,398	182,070	851,070
Loss and total comprehensive expense for the year	–	–	–	–	–	(109,706)	(109,706)
Recognition of equity-settled share-based payment (Note 27)	–	–	2,642	–	–	–	2,642
Shareholder's contribution attributable to share-based payment (Note 27)	–	–	(4,211)	–	4,211	–	–
Dividends recognised as distribution (Note 13)	–	–	–	–	–	(14,802)	(14,802)
Shareholder's contribution (ii)	–	–	–	–	348	–	348
Balance at 31 December 2017	67,041	311,580	2,352	275,060	15,957	57,562	729,552

Notes:

i. Special reserve represents the profit in respect of the operation of the business unit now comprising the Group which was retained by the then legal owner, Beijing Benywave Technology Co., Ltd. ("Benywave Technology"), and the net funding generated by the business unit now comprising the Group retained by Benywave Technology prior to a group reorganisation.

ii. One of the Company's shareholders, Wisdom Managements Worldwide Limited ("Wisdom Managements") which is a wholly owned subsidiary of The Core Trust Company Limited, a trust company with Ms. Rong Xiuli ("Ms. Rong") as the settlor, has waived the entitled 2016 and 2015 final dividends respectively distributed during the years ended 31 December, 2017 and 2016. The amount waived of RMB348,000 (2016: RMB1,266,000) is regarded as contribution from shareholders.

	2017 RMB'000	2016 RMB'000
Operating activities		
(Loss)profit before tax	**(107,729)**	19,063
Adjustments for:		
Interest expenses	**103**	178
Depreciation of equipment	**47**	41
Amortisation of intangible assets	**4,566**	760
Interest income	**(12,141)**	(17,770)
Foreign exchange losses(gain), net	**19,169**	(35,652)
Impairment loss recognised on intangible assets	**40,329**	–
Write down of inventories	**21,728**	14,341
Impairment loss recognised on trade receivables	**7,826**	11,068
Recognition of equity-settled share-based payment	**2,642**	14,053
Reversal of provision for warranty	**(2,464)**	(7,879)
Operating cash flows before movements in working capital	**(25,924)**	(1,797)
(Increase)decrease in inventories	**(35,493)**	82,447
Decrease in trade and other receivables	**173,582**	420,678
Decrease in trade and bills payables	**(347,033)**	(595,780)
Increase in accrual and other payables	**2,910**	561
Increase(decrease) in deposits received from customers	**32,517**	(3,274)
Cash used in operating activities	**(199,441)**	(97,165)
Income tax paid	**(9,853)**	(16,836)
Net cash used in operating activities	**(209,294)**	(114,001)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 RMB'000	2016 RMB'000
Investing activities			
Withdrawal of pledged bank deposits		**473,765**	995,250
Withdrawal of bank deposits		**430,857**	–
Proceeds on disposal of structured deposits		**–**	420,000
Repayment of the advance to a major supplier		**107,000**	–
Repayment of the advance to a major customer		**14,181**	–
Interests income received		**11,266**	14,611
Placement of bank deposits		**(670,000)**	(430,857)
Placement of pledged bank deposits		**(90,988)**	(708,712)
Purchase of property, plant and equipment		**(135)**	–
Acquisition of the intangible assets		**–**	(45,655)
The advance to a major supplier		**–**	(107,000)
The advance to a major customer		**–**	(28,442)
Net cash from investing activities		**275,946**	109,195
Financing activities			
Dividends paid		**(14,454)**	(35,463)
(Decrease)increase in amounts due to the controlling shareholders		**(30,521)**	30,521
Repayment of bank loans		**–**	(16,200)
New bank loans raised		**19,302**	–
Interest paid		**–**	(178)
Net cash used in financing activities	32	**(25,673)**	(21,320)
Net increase(decrease) in cash and cash equivalents		**40,979**	(26,126)
Effect of foreign exchange rate changes		**(14,744)**	1,135
Cash and cash equivalents at 1 January		**16,257**	41,248
Cash and cash equivalents at 31 December, represented by cash and bank balances		**42,492**	16,257

1. GENERAL INFORMATION

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

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

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

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

Amendments to IFRSs that are mandatorily effective for the current year

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

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

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

Amendments to IAS 7 Disclosure Initiative

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

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

Amendments to IFRSs that are mandatorily effective for the current year (Continued)

Amendments to IAS 7 Disclosure Initiative (Continued)

A reconciliation between the opening and closing balances of these items is provided in Note 32. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in Note 32, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised IFRSs in issue but not yet effective

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle[1]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRSs Standards 2015-2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

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

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

IFRS 9 Financial Instruments

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

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

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

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

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

Classification and measurement:

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

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

IFRS 9 Financial Instruments (continued)

Impairment:

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

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

IFRS 15 Revenue from Contracts with Customers and the related Amendments

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

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

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

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

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

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

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

IFRS 16 Leases

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

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

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

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB3,381,000 as disclosed in Note 28. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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.

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 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

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.

3. 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 statement 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

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.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Foreign currencies

In preparing the consolidated financial statements, transactions in currencies other than the functional currency of the Company 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 settlements of monetary items and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and Mandatory Provident Fund Scheme (the "MPF Scheme") which are defined contribution plans are recognised as an expense when employees have rendered service entitling them to the contribution.

Share-based payment arrangements

Equity-settled share-based payment transactions

Equity-settled share-based payments to directors and employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve. For restricted share units that vest immediately at the date of grant, the fair value of the restricted share units granted is expensed immediately to profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling prices for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the term of agreement. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible and intangible assets

At the end of the year, the Group reviews the carrying amounts of its tangible and intangible 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 relevant 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. When 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 (or a cash generating unit) 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 immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current 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 statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

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 utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable 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 realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Current and deferred tax for the year

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 statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the 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, cash and bank balances, bank deposits and pledged bank deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instrument (Continued)

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.

3. 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 and bills payables, other payables, bank loans and amount due to the controlling shareholder) are subsequently measured at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

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.

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 have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and the future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Allowance for trade receivables

Management estimation is involved in assessing recoverability of the trade receivables and determining the allowance for doubtful debts. In determining whether there is an objective evidence of allowance for trade receivables, the directors of the Company take into consideration of the repayment schedules, subsequent settlements and aging analysis of the trade receivables.

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The directors of the Company reassess the adequacy of impairment on a regular basis. Where the actual cash flows are less than expected, material impairment loss may arise.

As at 31 December 2017, the carrying amount of trade receivables was nil (2016: RMB105,616,000) which was net of allowance for doubtful debts of trade receivables approximately RMB20,351,000 (2016: RMB12,525,000) as disclosed in Note 17.

Estimated impairment of intangible asset

Determining whether the intangible asset related to software/application insertion is impaired requires an estimation of the recoverable amount of the cash-generating unit to which the intangible asset has been allocated, which is the higher of the value in use or fair value less costs of disposal. While a significant increase in revenue from new customers was reported in the fourth quarter of 2017, in view of the significant uncertainties in the market environment and the unsatisfactory gross margin of the sales of the relevant products reported, the management determined to conduct an impairment assessment as at the end of 2017 which considers the future cash flows generated from the cash-generating unit or the fair value less costs of disposal. Based on the result of the assessment, the recoverable amount of the cash-generating unit was negligible. Accordingly, as disclosed in Note 14, a full impairment was made for the intangible asset and the carrying value of the intangible assets was nil as at 31 December 2017 (2016: RMB44,895,000). Where the actual future cash flows are different with expected, or changes in facts and circumstances which results in upward revision of future cash flows, the carrying amount of the intangible asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the amount that would have been determined had no impairment loss been recognised for the intangible asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Allowance for inventories

The management performs regular review on the net realisable value of inventories and makes allowance for inventories based on the review. The identification of slow moving, obsolete inventories and inventories with negative margin requires the use of judgment and estimates on the conditions and saleability of the 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. In determining the net realisable value, the management considers the subsequent selling prices and aging information of inventories. As at 31 December 2017, a write down of RMB31,009,000 (2016: RMB14,341,000) was made based on the assessment of net realisable value. 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 2017, the carrying amount of inventories was approximately RMB41,128,000 (2016: RMB27,363,000) which was net of write down of inventories as disclosed in Note 16.

Income tax

As at 31 December, 2017, no deferred tax asset was recognised on the tax losses and deductible temporary differences of RMB132,466,000 in aggregate (2016: RMB32,374,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future taxable profits generated are more than expected, or changes in facts and circumstances which result in revision of future taxable profits estimation, a material future recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a future recognition takes place. Further details are contained in Note 15.

5. REVENUE AND SEGMENT INFORMATION

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

Segment information

The Group operates and manages its business in the PRC and Hong Kong which is considered as a separate operating segment by the management of the Company, engaging in developing, designing, production management and selling mobile telecommunication devices and sales of mobile telecommunication related components and accessories, and selling mobile telecommunication devices with software/application insertion, targeting global markets excluding the PRC. For segment reporting, the individual operating segments have been aggregated into a single reportable segment. The Group's chief operating decision maker has been identified as the Chief Executive Officer, who reviews revenue analysis by major products and the gross profit of the Group as a whole when making decisions about allocating resources and assessing performance of the Group. As no other discrete financial statements are available for assessment of performance of different products, no segment information other than certain entity-wide disclosures are presented.

Revenue from major products

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

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

Geographical information

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

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

Geographical information (Continued)

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

Notes:

1. Sales to Hong Kong mainly comprised of sales to certain mobile trading companies incorporated in Hong Kong who sell mobile telecommunication devices to various countries including but not limited to The United Arab Emirates, Russia, Thailand and Malaysia.

2. Europe includes the Czech Republic, France, Cyprus and Portugal.

3. Other parts of Asia includes Singapore and Pakistan.

4. South Asia includes India.

5. Africa includes South Africa and Algeria.

6. South America includes Argentina.

7. North America includes the United States of America.

8. Southeast Asia includes Philippines.

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

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2017 RMB'000	2016 RMB'000
Customer A	**27,074[1]**	N/A[3]
Customer B	**25,084[1]**	229,409[1]
Customer C	**N/A[2]**	125,271[1]

1. Revenue from sales of mobile telecommunication devices.
2. The corresponding revenue did not contribute over 10% of the total revenue of the Group
3. New Customer for the year ended 31 December 2017

As a result of the Group's efforts in expanding its markets for mobile telecommunication devices including those with software/application insertion, the Group recorded a significant increase in revenue from new customers in the fourth quarter of 2017. Other than Customer A, the new customers contributed not more than 10% of the total sales of the Group.

6. OTHER GAINS AND LOSSES

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

7. OTHER INCOME

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

8. (LOSS)PROFIT BEFORE TAX

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

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

9. INCOME TAX EXPENSE

	2017 RMB'000	2016 RMB'000
PRC Enterprise income tax ("EIT")		
– Current Tax in the PRC	**–**	–
– Current Tax in HK	**–**	3,851
– Over provision in prior years-EIT	**(5)**	(2,611)
Deferred Tax (Note 15)	**1,982**	2,327
	1,977	3,567

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

9. INCOME TAX EXPENSE (CONTINUED)

Under the Law of the PRC and Enterprise Income tax (the "EIT Law") and Implementation Regulation of the EIT Law, the income tax rate of Beijing Benywave Wireless Communication Co., Ltd ("Benywave Wireless"), a subsidiary of the Company, is 25%. Since Benywave Wireless was recognised as "New and High Technology Enterprises" in 2015 and therefore it is entitled to apply a preferential tax rate of 15% for the years ended 31 December 2017 and 2016.

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

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

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

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the six (2016: six) directors and the chief executive were as follows:

2017	Directors' fee RMB'000	Salaries and allowances RMB'000	Performance related bonuses RMB'000	Retirement benefit scheme contribution RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
Executive directors:						
Ms. Rong	–	720	–	115	–	835
Mr. Rong Shengli (i)	–	720	–	115	975	1,810
Mr. Tang Shun Lam (ii)	–	1,038	–	16	891	1,945
Independent non-executive directors						
Mr. Hon Kwok Ping Lawrence	311	–	–	–	–	311
Mr. Lam Yiu Kin	311	–	–	–	–	311
Mr. Tsang Yat Kiang	311	–	–	–	–	311
Total	933	2,478	–	246	1,866	5,523

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

2016	Directors' fee	Salaries and allowances	Performance related bonuses	Retirement benefit scheme contribution	Equity-settled share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:						
Ms. Rong	–	720	54	107	–	881
Mr. Rong Shengli (i)	–	720	54	107	2,343	3,224
Mr. Tang Shun Lam (ii)	–	942	–	13	2,142	3,097
Independent non-executive directors						
Mr. Hon Kwok Ping Lawrence	309	–	–	–	308	617
Mr. Lam Yiu Kin	309	–	–	–	308	617
Mr. Tsang Yat Kiang	309	–	–	–	308	617
Total	927	2,382	108	227	5,409	9,053

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 was re-designated as an executive director of the Company on 19 March 2016.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' fee shown above were mainly for their services as directors of the Company.

During the year, certain directors were granted the restricted share units (the "RSU"s), in respect of their services to the Group under the restricted share units scheme (the "RSU Scheme") of the Company. Details of the RSU Scheme are set out in Note 27.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included three directors (2016: two), details of whose remunerations are set out in Note 10 above. Details of the remuneration for the year of the remaining two (2016: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2017	2016
	RMB'000	RMB'000
Salaries and allowance	**1,082**	426
Retirement benefits schemes contribution	**49**	85
Equity-settled share-based payments	**199**	5,026
	1,330	5,537

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2017	2016
Nil to HKD1,000,000	**2**	–
HKD1,000,001 to HKD1,500,000	**–**	1
HKD1,500,001 to HKD2,000,000	**–**	1
HKD3,000,001 to HKD3,500,000	**–**	1
	2	3

During the years ended 31 December 2017 and 2016, 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.

12. (LOSS)EARNINGS PER SHARE

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

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

	2017	2016
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**850,000**	850,000

There are no dilutive potential shares for both years.

13. DIVIDENDS

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

During the current year, a final dividend of HK2 cents per share in respect of the year ended 31 December 2016 (2016: HK5.055 cents per share in respect of the year ended 31 December 2015) was declared to those shareholders whose names appear on the register of members of the Company at the close of business on Monday, 5 June 2017. The aggregate amount of the final dividend declared in the year amounted to HKD17,000,000 which approximated to RMB14,802,000 (2016: RMB36,729,000). The final dividends of the year ended 31 December 2016 were paid in July 2017.

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

14. INTANGIBLE ASSET

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

The software technology is related to software/application insertion and amortised over its useful life of 10 years.

Due to the significant uncertainties in the market environment caused by the free downloads of official upgrade software from the first-tier smartphone brands and the measures taken by some of the first-tier brands starting to introduce encryption codes to prevent changes to the software codes, the use of the software technology in these target smartphone brands was negatively affected. In addition, the gross margin of sales of products related to software/application insertion was unsatisfactory. The directors assess that the software technology requires a full impairment during the year ended 31 December 2017.

15. DEFERRED TAX ASSETS

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

	Write down of inventory RMB'000	Allowance for doubtful debts RMB'000	Accrued expense and cost RMB'000	Total RMB'000
At 1 January 2016	557	219	3,533	4,309
Charge to profit or loss	(557)	(219)	(1,551)	(2,327)
At 31 December 2016	–	–	1,982	1,982
Charge to profit or loss	–	–	(1,982)	(1,982)
At 31 December 2017	–	–	–	–

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

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

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

15. DEFERRED TAX ASSETS (CONTINUED)

The unrecognised tax losses will be expired as follows:

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

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

16. INVENTORIES

	2017	2016
	RMB'000	RMB'000
Raw materials	**–**	14,579
Finished goods	**41,128**	12,784
	41,128	27,363

The management has performed a net realisable value assessment as at 31 December 2017 with reference to the subsequent selling prices and aging information of inventories. Write down of inventories of approximately RMB21,728,000 (2016: RMB14,341,000) is recognised in the profit or loss. As at 31 December 2017, included in the above figures are inventories of RMB20,030,000 (2016: RMB3,344,000) which are stated at net realisable value.

17. TRADE AND OTHER RECEIVABLES

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

Notes:

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

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

17. 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 net of allowance for doubtful debts presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates.

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

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

	2017	2016
	RMB'000	RMB'000
61 to 180 days	–	17,992
181 days to 1 year	–	4,875
1 year to 2 years	–	76,148
	–	99,015

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in the allowance for doubtful debts

	2017 RMB'000	2016 RMB'000
1 January	**12,525**	1,457
Impairment losses recognised on trade receivables	**7,826**	11,068
31 December	**20,351**	12,525

Included in the allowance for doubtful debts of trade receivable are individually impaired with an aggregate balance of RMB20,351,000 (2016: RMB12,525,000) which are made by management with reference to repayment schedules, subsequent settlements and aging analysis of the trade receivables.

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

	2017 RMB'000	2016 RMB'000
USD	**–**	105,495

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

	2017 RMB'000	2016 RMB'000
USD	**14,261**	28,442

18. PLEDGED BANK DEPOSITS

The pledged bank deposits mainly represent deposits pledged for bills payable. As at 31 December 2017, the above pledged bank deposits carry interest from 0.30% to 1.65% per annum (2016: from 0.30% to 1.65%).

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

	2017	2016
	RMB'000	RMB'000
Pledged bank deposits denominated in:		
– USD	**6**	41,629
– HKD	**81,500**	385,534

19. BANK DEPOSITS

The bank deposits were placed in the banks with high credit ratings in the PRC. The bank deposits carried a fixed annual interest rate of 1.5% to 2.25% which will be matured in one year.

Included in the bank deposits are amounts of RMB70,000,000 and RMB80,000,000, which were effectively placed on 14 November 2017 and 17 November 2017 respectively. The documentation of which were completed on 20 November 2017.

20. CASH AND BANK BALANCES

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

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

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

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

21. TRADE AND BILLS PAYABLES

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

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

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

21. TRADE AND BILLS PAYABLES (CONTINUED)

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

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

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

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

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

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

22. BANK LOANS

As at 31 December 2017, the amount was comprised of three secured bank loans. The terms and conditions of each loan are disclosed separately.

		Carrying amount	
	Maturity date	**2017**	2016
		RMB'000	RMB'000
Fixed-rate borrowings:			
Secured bank loan I	2 January, 2018	**9,870**	–
Secured bank loan II	19 January, 2018	**6,932**	–
Secured bank loan III	29 January, 2018	**2,222**	–
Total bank loans		**19,024**	–

The effective interest rate of the three secured bank loans is charged at the United States Prime Rate, which is ranged from 4.25% to 4.50%.

The loans were jointly secured by the properties owned by two individuals connected to the Company.

The Group's borrowings that are denominated in a currency other than the functional currency of the relevant group entities are set out below:

	2017	2016
	RMB'000	RMB'000
USD	**19,024**	–

23. ACCRUAL AND OTHER PAYABLES

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

24. AMOUNT DUE TO THE CONTROLLING SHAREHOLDER

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

25. PROVISION

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

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

26. SHARE CAPITAL

	Number of shares	per share	Share capital
		HKD	HKD
At 31 December 2017 and 2016	850,000,000	0.1	85,000,000

	RMB'000
Presented as	67,041

27. SHARE-BASED PAYMENT TRANSACTIONS

On 9 June 2015, the Company approved and adopted the RSU Scheme. The purpose of the RSU Scheme is to (i) recognise the contributions of the personnel to the Group or its business; (ii) retain them for the continual operation and development of the Group; and (iii) to attract suitable personnel for the development of the Group (collectively referred to as the "Participant(s)"). The RSU Scheme shall be valid and effective for a term of 10 years commencing from 9 June 2015, subject to certain conditions and termination clause.

Upon the adoption of the RSU Scheme, The Core Trust Company Limited was appointed as RSU Scheme trustee (the "Trustee"), while Wisdom Managements which is a wholly-owned subsidiary of the Trustee was identified as nominee of the Trustee (the "Nominee").

On 26 May 2015, Winmate transferred to the Nominee by way of gift 50 shares for the RSU Scheme. Subject to the capitalisation issue, a further 32,299,950 shares have been allotted to the Nominee credited as fully paid up. Upon completion of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited and as at 31 December, 2016, the Nominee holds 3.8% of the total shares of the Company, represents 32,300,000 shares. Ms. Rong is the settlor of the Trust.

On 2 November 2016, pursuant to the RSU Scheme, a total of 32,300,000 restricted shares were granted to the selected grantees without the exercise price, among which 18,950,000 restricted shares were granted to 2 executive directors, 3 independent non-executive directors of the Company and 16 employees of the Group and remaining 13,350,000 restricted shares were granted to 13 personnel of the fellow subsidiaries of the Company. The directors consider those 13 personnel are not relevant to the Group's business and those grants have no effect to the Group's consolidated financial statements.

27. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

The details of specific categories of options are as follows:

Number of Restricted shares	Date of grant	Vesting Period	Exercise price
5,830,000	2 November 2016	Vested immediately	Nil
13,120,000	2 November 2016	1/3 in each of the three years	Nil
18,950,000			

A Participant does not have any contingent interest in any ordinary shares underlying an RSU unless and until these ordinary shares are actually transferred to the Participants from the Trustee. Furthermore, a Participant may not exercise any voting right in respect of the ordinary shares underlying the RSU(s), nor do they have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any ordinary shares underlying the RSU(s).

The following table discloses the movement of the Company's shares granted to the Participants for the periods ended 31 December, 2017 and 2016:

The movement for the period ended 31 December 2017

Category of Participant	Outstanding vested at 1 January 2017	Forfeited during the year	Vested during the year	Outstanding vested at 31 December 2017	Exercisable at 31 December 2017	Share price at grant date HKD	Vesting condition	Lock up period
Independent non-executive directors	–	–	–	–	620,000	1.14	No vesting condition	1/3 of total shares unlocked on 2 November 2016 1/3 of total shares unlocked on 2 November 2017 1/3 of total shares unlocked on 2 November 2018
Executive directors	4,746,667	–	2,373,333	2,373,334	4,746,666	1.14	Remain in service for three years	Not applicable
Subtotal	4,746,667	–	2,373,333	2,373,334	5,366,666			

27. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Category of Participant	Outstanding vested at 1 January 2017	Forfeited during the year	Vested during the year	Outstanding vested at 31 December 2017	Exercisable at 31 December 2017	Share price at grant date HKD	Vesting condition	Lock up period
Key employees I	4,000,000	266,667	1,866,667	1,866,666	3,866,667	1.14	Remain in Service for three years	Not applicable
Key employees II	–	–	–	–	3,266,667	1.14	No vesting Condition	1/3 of total shares unlocked on 2 November 2016 1/3 of total shares unlocked On 2 November 2017 1/3 of total shares unlocked on 2 November 2018
Subtotal	4,000,000	266,667	1,866,667	1,866,666	7,133,334			
Total	8,746,667	266,667	4,240,000	4,240,000	12,500,000			

27. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

The movement for the period ended 31 December 2016

Category of Participant	Outstanding at 1 January 2016	Granted during the year	Vested during the year	Outstanding Vested at 31 December 2016	Exercisable at 31 December 2016	Share price at grant date HKD	Vesting condition	Lock up period
Independent non-executive directors	–	930,000	930,000	–	310,000	1.14	No vesting condition	1/3 of total shares unlocked on 2 November 2016 1/3 of total shares unlocked on 2 November 2017 1/3 of total shares unlocked on 2 November 2018
Executive directors	–	7,120,000	2,373,333	4,746,667	2,373,333	1.14	Remain in service for three years	Not applicable
Subtotal	–	8,050,000	3,303,333	4,746,667	2,683,333			
Key employees I	–	6,000,000	2,000,000	4,000,000	2,000,000	1.14	Remain in Service for three years	Not applicable
Key employees II	–	4,900,000	4,900,000	–	1,633,333	1.14	No vesting Condition	1/3 of total shares unlocked on 2 November 2016 1/3 of total shares unlocked On 2 November 2017 1/3 of total shares unlocked on 2 November 2018
Subtotal	–	10,900,000	6,900,000	4,000,000	3,633,333			
Total	–	18,950,000	10,203,333	8,746,667	6,316,666			

At the end of each year, the Group revises its estimates of the number of RSUs that are expected to vest ultimately. The impact of the revision of the original estimates, if any, is recognised in profit or loss, with a corresponding adjustment to the share-based payments reserve.

The Group recognised the share base payment expense of RMB2,642,000 for the year ended 31 December 2017 (2016: RMB14,053,000) in relation to the RSU Scheme in which the fair value of restricted shares granted and vested during the year amounting to RMB4,211,000 (2016: RMB10,132,000) was recognised as a shareholder's contribution in other reserve.

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:

	2017 RMB'000	2016 RMB'000
Minimum lease payments under operating leases:		
Within one year	**1,657**	1,685
In the second to third year	**1,724**	194
	3,381	1,879

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 Group operates the MPF Scheme for all qualified employees in Hong Kong. Contributions from employers and employees are 5% each of the employee's relevant income. The maximum mandatory contribution per employee is HKD1,500 per month. During the year ended 31 December 2017, the retirement benefit scheme contribution arising from the MPF Scheme charged to profit or loss were approximately RMB32,000 (2016: 21,000).

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 2017 amounted to RMB876,000 (2016: RMB1,921,000).

30. RELATED PARTY TRANSACTIONS OTHER THAN THE BALANCES DISCLOSED

(a) Name and relationship

Name	Relationship
Beijing Tianyu Communication Equipment Co. Ltd ("Tianyu")	Company controlled by Ms. Rong and Mr. Ni
Benywave Technology	Company controlled by Ms. Rong and Mr. Ni
Ketai	Company controlled by Ms. Rong and Mr. Ni

(b) Related party transactions

	2017 **RMB'000**	2016 RMB'000
Premises rental expense charged by Tianyu	**737**	764
Equipment rental expense charged by Benywave Technology	**66**	70
Service expense charged by Ketai	**210**	422
Purchase from Ketai	**–**	1,463
Service income charged to Ketai	**1,941**	–

In addition, Benywave Wireless has entered into an equity transfer agreement with Ketai Lexun (Beijing) Communication Equipment Company Limited, a wholly owned subsidiary of Tianyu (the "Vendor"), Ms. Rong, Tianyu and Ketai (the "Target Company") on 15 June 2017 to acquire a 70% interest in the Target Company. Details have been disclosed in Note 34.

(c) Remuneration of key management personnel of the Group

	2017 **RMB'000**	2016 RMB'000
Short term employee benefits	**4,085**	3,340
Post-employment benefit	**262**	336
Equity-settled share-based payments	**1,866**	9,351
	6,213	13,027

(d) Guarantee

As disclosed in Note 22, as at 31 December 2017, the loans of RMB19,024,000 were jointly secured by the properties owned by two individuals connected to the Company.

31. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2017 **RMB'000**	2016 RMB'000
Financial assets		
Loans and receivables (including cash and bank balances, pledged bank deposits and bank deposits)	**824,069**	1,172,015
Financial liabilities		
Amortised cost	**119,372**	475,977

Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, pledged bank deposits, cash and bank balances, bank deposits, trade and bills payables, other payables, bank loans and amount due to the controlling shareholder. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (mainly currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Foreign currency risk

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

31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

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 bank loans) at the end of each reporting periods are as follows:

	Assets		Liabilities	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**51,610**	183,945	**21,789**	2,840
HKD	**82,298**	389,316	**–**	–

Sensitivity analysis

The following tables detail 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.

	2017	2016
	RMB'000	RMB'000
Profit for the year		
USD	**1,247**	7,979
HKD	**4,108**	19,463

31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to bank loans with floating interest rate (Notes 22).

The Group manages its interest rate exposure based on the interest rate level and outlook as well as potential impact on the Group's financial position arising from volatility of the interest rate. The Group currently does not have interest rate hedging policy. However, the management will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

Bank loans are excluded from sensitivity analysis as the directors of the Company consider that the exposure of interest rate risk arising from bank loans is insignificant.

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 one customer (2016: six customers and one supplier). The management considered that the credit risk of trade and other receivables which is net off the allowance of doubtful debts 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 did not grant credit period to any customer this year. Hence, the management of the Company believes that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk on liquid funds which are deposited with several banks. However, management of the Company considered that the credit risk on bank balances is limited because the majority of the counterparties are banks with good reputation.

Liquidity risk

In management of liquidity risk, the Group's management monitors and maintains a reasonable level of cash and cash equivalents which deemed adequate by the management to finance the Group's operations and mitigate the impacts of fluctuations in cash flows. The management monitors the utilisation of bank loans and ensures compliance with loan covenants.

31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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**	**Total undiscounted cash flows**	**Carrying amount**
	%	**RMB'000**	**RMB'000**	**RMB'000**
As at 31 December 2017				
Financial liabilities				
Other payables	**–**	**8,173**	**8,173**	**8,173**
Trade and bills payables	**–**	**92,175**	**92,175**	**92,175**
Bank loans	**4.39%**	**19,127**	**19,127**	**19,024**
Total		**119,475**	**119,475**	**119,372**

	Weighted average effective interest rate	On demand or within one year	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000
As at 31 December 2016				
Financial liabilities				
Other payables	–	6,248	6,248	6,248
Trade and bills payables	–	439,208	439,208	439,208
Amount due to the controlling shareholder	–	30,521	30,521	30,521
Total		475,977	475,977	475,977

31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

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.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows from financing activities.

	Bank loans (Note 22)	Interest payable	Amount due to the controlling shareholder (Note 24)	Dividend payable	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	–	–	30,521	–	30,521
Financing cash flows	19,302	–	(30,521)	(14,454)	(25,673)
Dividend declared	–	–	–	14,802	14,802
Shareholder's contribution	–	–	–	(348)	(348)
Foreign exchange translation	(278)	–	–	–	(278)
Interest expenses	–	103	–	–	103
At 31 December 2017	19,024	103	–	–	19,127

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern, while to maximise the return to the owners of the Company through optimisation of debt and equity balances. The Group's overall strategy remains unchanged during the year.

The capital structure of the Group consists of net debt, which includes bank loans disclosed in Note 22, amount due to the controlling shareholder, net of cash and cash equivalents and equity attributable to equity holders of the Company.

The management reviews the capital structure on a quarterly basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on the recommendation of management, the Group will balance its overall capital structure through issue of new shares and new debts.

34. POTENTIAL ACQUISITION

On 15 June 2017, Benywave Wireless (being the purchaser), the Vendor, Ms. Rong, Tianyu and the Target Company entered into the equity transfer agreement (the "Agreement") to acquire a 70% interest in the Target Company.

The details of arrangement and the consideration have been disclosed in the announcement dated on 15 June 2017. Up to the date of the report, the transaction has not been completed.

35. STATEMENT OF FINANCIAL POSITION AND MOVEMENT IN THE COMPANY'S RESERVES

Financial information of the Company at the end of the reporting period includes:

	2017 RMB'000	2016 RMB'000
Non-current asset		
Investment in a subsidiary	–	–
	–	–
Current assets		
Trade and other receivables	777	3,454
Amounts due from subsidiaries	397,581	49,019
Cash and bank balances	200	3,686
Pledged bank deposits	81,500	427,156
	480,058	483,315
Current liabilities		
Accrual and other payables	45	843
Amounts due to subsidiaries	82,792	107,809
	82,837	108,652
Net current assets	397,221	374,663
Net assets	397,221	374,663
Capital and reserves		
Share capital	67,041	67,041
Reserves	330,180	307,622
Total equity	397,221	374,663

35. STATEMENT OF FINANCIAL POSITION AND MOVEMENT IN THE COMPANY'S RESERVES (CONTINUED)

Details of movement in the Company's reserves are as follows:

	Total RMB'000
At 1 January 2016	313,015
Profit and total comprehensive income for the year	16,017
Recognition of equity-settled share-based payment	14,053
Shareholder's contribution attributable to share-based payment	–
Dividends recognised as distribution	(36,729)
Shareholder's contribution	1,266
Balance at 31 December 2016	307,622
Profit and total comprehensive income for the year	34,370
Recognition of equity-settled share-based payment	2,642
Shareholder's contribution attributable to share-based payment	–
Dividends recognised as distribution	(14,802)
Shareholder's contribution	348
Balance at 31 December 2017	330,180

36. SUBSIDIARIES

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

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Equity interest attributable to the Group 31 December 2017 %	31 December 2016 %	Principal activities
Vital Mobile Limited ("Vital BVI"s)*	BVI 27 June 2014	USD1	**100**	100	Investment Holding
Vital Mobile (HK) Limited ("Vital HK")	Hong Kong 4 July 2014	HKD1	**100**	100	Selling mobile telecommunication with added supply chain management services(ROM modification, other related mobile telecommunication functions development)
Beijing Benywave Wireless Communication Co., Ltd.+ ("Benywave Wireless") 北京百納威爾無綫通信設備有限公司	PRC 22 July 2014	RMB100,000,000	**100**	100	selling mobile telecommunication services manufacturer, selling mobile telecommunication with added supply chain management services(ROM modification, other related mobile telecommunication functions development), sale of mobile telecommunication related components and accessories, targeting global markets excluding the PRC
Kerr Unit Inc ("Kerr")	The United States of America 4 January 2017	USD300,000	**100**	–	Developing new sales channels in the United States of America

Notes:

* Directly held by the Company.

+ The English name is for identification only.

FINANCIAL SUMMARY – IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

	For the year ended 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
CONSOLIDATED RESULTS					
Revenue	**196,142**	406,134	1,408,339	1,916,183	1,368,897
(Loss)profit before tax	**(107,729)**	19,063	216,520	193,660	97,529
Income tax expense	**(1,977)**	(3,567)	(35,621)	(37,435)	(14,656)
(Loss)profit and total comprehensive (expense)income for the year attributable to equity holders of the Company	**(109,706)**	15,496	180,899	156,225	82,873

	As at 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES					
Total assets	**916,546**	1,373,386	1,986,947	540,429	114,911
Total liabilities	**(186,994)**	(522,316)	(1,129,963)	(242,965)	(158,497)
	729,552	851,070	856,984	297,464	(43,586)
Equity attributable to Equity holders of the Company	**729,552**	851,070	856,984	297,464	(43,586)

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