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Vital Mobile Holdings Limited

維太移動控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6133)

(1) DISCLOSEABLE TRANSACTION PROVISION OF FINANCIAL ASSISTANCE; AND

(2) SUPPLEMENTAL INFORMATION IN RELATION TO ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

DISCLOSEABLE TRANSACTION – PROVISION OF FINANCIAL ASSISTANCE

During the period between August 2016 to November 2016, Benywave Wireless, a wholly-owned subsidiary of the Company, entered into the Loan Agreements with Zhengzhou Tianhe, an independent third party supplier, pursuant to which Benywave Wireless advanced an aggregate sum of RMB107 million to Zhengzhou Tianhe.

Listing Rules' implications

The Advance under the Loan Agreements, representing the First Loan Agreement, the Second Loan Agreement, the Third Loan Agreement and the Fourth Loan Agreement, shall be aggregated pursuant to Rule 14.23 of the Listing Rules. As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the entering into of the Third Loan Agreement and the Fourth Loan Agreement, after aggregating with the First Loan Agreement and the Second Loan Agreement, are more than 5% but less than 25% on an aggregated basis, the entering into of the Loan Agreements constituted a discloseable transaction for the Company and subject to the reporting and announcement requirements but exempted from Shareholders' approval requirements under Chapter 14 of the Listing Rules.

SUPPLEMENTAL INFORMATION IN RELATION TO ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

Reference is made to the Annual Results Announcement and the Annual Report. The Board would like to provide further information on the balance of intangible assets of approximately RMB44.9 million recorded as at 31 December 2016 as disclosed in the Annual Results Announcement and the Annual Report in relation to certain software products acquired by the Group from Gu Li in October 2016.

On 12 October 2016, Benywave Wireless, a wholly-owned subsidiary of the Company, entered into seven non-legally binding software transfer agreements with Gu Li pursuant to which Benywave Wireless agreed to acquire certain intellectual property rights from Gu Li, which shall only become effective and legally binding after filings with the relevant authority being completed and approvals being obtained by the board of directors of Benywave Wireless. On 7 December 2016, the Software Transfer Agreements, representing five out of the seven non-legally binding software transfer agreements, were successfully filed with the relevant authority and approved by the board of directors of Benywave Wireless. Upon which, on 7 December 2016, Benywave Wireless and Gu Li entered into a memorandum to confirm that the Software Transfer Agreements became legally binding and effective on 7 December 2016.

(1) DISCLOSEABLE TRANSACTION – PROVISION OF FINANCIAL ASSISTANCE

During the period between August 2016 to November 2016, Benywave Wireless, a wholly-owned subsidiary of the Company, entered into the Loan Agreements with Zhengzhou Tianhe, an independent third party supplier, pursuant to which Benywave Wireless advanced an aggregate sum of RMB107 million to Zhengzhou Tianhe.

The principal terms of the Loan Agreements are as follows:

First Loan Agreement

Date: 23 August 2016

Party: Benywave Wireless, as lender
Zhengzhou Tianhe, as borrower

Principal: RMB10 million

Interest: Nil

Term: 23 August 2016 to 22 June 2017

Second Loan Agreement

Date: 25 September 2016

Party: Benywave Wireless, as lender
Zhengzhou Tianhe, as borrower

Principal: RMB15 million

Interest: Nil

Term: 25 September 2016 to 24 July 2017

Third Loan Agreement

Date: 15 November 2016

Party: Benywave Wireless, as lender
Zhengzhou Tianhe, as borrower

Principal: RMB52 million

Interest: Nil

Term: 15 November 2016 to 14 September 2017

Fourth Loan Agreement

Date: 18 November 2016

Party: Benywave Wireless, as lender
Zhengzhou Tianhe, as borrower

Principal: RMB30 million

Interest: Nil

Term: 18 November 2016 to 17 September 2017

No security was provided by Zhengzhou Tianhe pursuant to the Loan Agreements.

The background and benefits of entering into the Loan Agreements

The Advance comprised a number of prepayments made by Beijing Benywave to Zhengzhou Tianhe for the purchase of certain parts and components from Zhengzhou Tianhe as part of the ordinary course of business of Benywave Wireless (the “**Prepayment Arrangement**”). It is a common industry practice to make prepayments to supplier(s) prior to actual purchase orders being placed in order to secure a steady supply of parts and components from the supplier(s) and maintain long-term business relationships with the relevant supplier(s). The prepayments constituting the Advance were financed by the internal resources of the Company.

In light of the adverse operating conditions in the mobile phone market and the resulting significant decrease in the sales volume of the Group’s smartphone products, Benywave Wireless significantly reduced the purchasing volume of parts and components from Zhengzhou Tianhe during the year ended 31 December 2016, as a result of which there was a significant amount of prepayment made by Benywave Wireless to Zhengzhou Tianhe pending the netting-off of Benywave Wireless’s subsequent purchases. In view of the increased amounts of prepayments, and with a view to reducing the operational risk of the Group, Benywave Wireless formalised the prepayments made to Zhengzhou

Tianhe under the Prepayment Arrangement in the form of the Loan Agreements. Given that the purpose of the Loan Agreements was solely to document the prepayments made to Zhengzhou Tianhe under the Prepayment Arrangement so as to provide the Group a better position in securing the recoverability of the prepayments should any legal dispute between Benywave Wireless and Zhengzhou Tianhe arise in the future, but not to create new loans, no interest was charged under these Loan Agreements.

In view of the above, the Directors are of the view that the terms of the Loan Agreements are fair and reasonable and on normal commercial terms and the entering into of the Loan Agreements are in the interests of the Company and its Shareholders as a whole.

Listing Rules' implications

The Advance under the Loan Agreements, representing the First Loan Agreement, the Second Loan Agreement, the Third Loan Agreement and the Fourth Loan Agreement, shall be aggregated pursuant to Rule 14.23 of the Listing Rules. As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the entering into of the Third Loan Agreement and the Fourth Loan Agreement, after aggregating with the First Loan Agreement and the Second Loan Agreement, are more than 5% but less than 25% on an aggregated basis, the entering into of the Loan Agreements constituted a discloseable transaction for the Company and subject to the reporting and announcement requirements but exempted from Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Company acknowledges its failure to make timely disclosure in respect of the entering of the Loan Agreements as required under Chapter 14 of the Listing Rules. The failure to make timely disclosure was due to a misunderstanding by the management of the Company of the application of the relevant Listing Rules for the reason that it had regarded the Advance made under the Prepayment Arrangement to be of a trade nature. Accordingly, the Company believed that the entering into of the Loan Agreements did not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

Remedial Actions

The Company deeply regrets its non-compliance with the Listing Rules in respect of the entering of the Loan Agreements but the Company would like to stress that the non-compliance was inadvertent. To ensure compliance with the Listing Rules on an ongoing basis and to prevent any possible non-compliance from occurrence in the future, the Company has taken certain remedial actions, including, (i) a detailed review of its internal procedures; (ii) engaging a professional third party to provide training on accounting to the Group's employees in Hong Kong and the PRC; (iii) engaging external advisers to provide training to the managerial staff of the Group on the Listing Rules and other relevant laws and regulations on a regular basis; and (iv) engaging an external internal control adviser to review and assess the internal control systems of the Group.

(2) SUPPLEMENTAL INFORMATION IN RELATION TO ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

Reference is made to the Annual Results Announcement and the Annual Report. The Board would like to provide further information on the balance of intangible assets of approximately RMB44.9 million recorded as at 31 December 2016 as disclosed in the Annual Results Announcement and the Annual Report in relation to certain software products acquired by the Group from Gu Li in October 2016.

On 12 October 2016, Benywave Wireless, a wholly-owned subsidiary of the Company, entered into seven non-legally binding software transfer agreements with Gu Li pursuant to which Benywave Wireless agreed to acquire certain intellectual property rights from Gu Li, which shall only become effective and legally binding after filings with the relevant authority being completed and approvals being obtained by the board of directors of Benywave Wireless. On 7 December 2016, the Software Transfer Agreements, representing five out of the seven non-legally binding software transfer agreements, were successfully filed with the relevant authority and approved by the board of directors of Benywave Wireless. Upon which, on 7 December 2016, Benywave Wireless and Gu Li entered into a memorandum to confirm that the Software Transfer Agreements became legally binding and effective on 7 December 2016.

The principal terms of the Software Transfer Agreements are as follows:

First Software Transfer Agreement

Date: 12 October 2016 and became legally binding and effective on 7 December 2016

Party: Benywave Wireless, as purchaser
Gu Li, as vendor

Subject: Certain software algorithms developed by Gu Li for managing the desktop and user interface of smartphones operating the Android system

Consideration: RMB9,806,600

Second Software Transfer Agreement

Date: 12 October 2016 and became legally binding and effective on 7 December 2016

Party: Benywave Wireless, as purchaser
Gu Li, as vendor

Subject: Certain software algorithms developed by Gu Li for managing the contact systems of smartphones operating the Android system

Consideration: RMB9,686,200

Third Software Transfer Agreement

Date: 12 October 2016 and became legally binding and effective on 7 December 2016

Party: Benywave Wireless, as purchaser
Gu Li, as vendor

Subject: Certain software algorithms developed by Gu Li for managing the music functions of smartphones operating the Android system for, among others, fee collection purposes

Consideration: RMB9,385,200

Fourth Software Transfer Agreement

Date: 12 October 2016 and became legally binding and effective on 7 December 2016

Party: Benywave Wireless, as purchaser
Gu Li, as vendor

Subject: Certain software algorithms developed by Gu Li for enhancing the security of smartphones operating the Android system

Consideration: RMB8,723,000

Fifth Software Transfer Agreement

Date: 12 October 2016 and became legally binding and effective on 7 December 2016

Party: Benywave Wireless, as purchaser
Gu Li, as vendor

Subject: Certain software algorithms developed by Gu Li for introducing new camera and photo gallery functions to smartphones operating the Android system

Consideration: RMB8,054,800

The considerations of the Acquisitions were determined between Benywave Wireless and Gu Li after arm's length negotiations taking into consideration of the valuation of the relevant software products as assessed by an independent valuer, Beijing Zhongping Zhengxin Asset Valuation Co., Ltd.* (北京中評正信資產評估有限公司) as at 30 September 2016 using a cost allocation basis.

The considerations for the Acquisitions was paid by Benywave Wireless to Gu Li and no benefit or interest, whether directly or indirectly, was conferred to each of Ms. Gao, Ms. Rong, Mr. Ni, any directors of the Company and/or their respective associate(s). Pursuant to the Software Transfer Agreements and conditional upon the Software Transfer Agreements became legally binding and effective, Benywave Wireless shall settle the consideration payable under the respective Software Transfer Agreement within 180 days after the date of signing of the Software Transfer Agreements by remitting the relevant amounts to the bank account as designated by Gu Li. The considerations for the Acquisitions were financed by the internal resources of the Group.

The software acquired by Benywave Wireless pursuant to the Software Transfer Agreements were developed by Gu Li and accordingly no acquisition costs were incurred by Gu Li.

Shareholding information of Gu Li and the Trust Arrangement

Gu Li was initially owned by Ms. Rong and Mr. Ni and was disposed to certain Independent Third Parties on 25 December 2015 as follow:

- a. Beijing Tianyu transferred its 70% equity interest in Gu Li to Ms. Gao who held such interest on trust for an Independent Third Party at a consideration of RMB19,600,000 (the “**Trust Arrangement**”);
- b. Ms. Rong transferred her 11% equity interest in Gu Li to Mr. Wang and her 16% equity interest in Gu Li to Mr. He at a consideration of RMB3,080,000 and RMB4,480,000, respectively; and
- c. Mr. Ni transferred his 3% equity interest in Gu Li to Mr. Wang at a consideration of RMB840,000,

(collectively, the “**Transfers**”).

The consideration for the respective Transfer was determined based on the then registered capital of Gu Li as at 25 December 2015. At the time when the Transfers were completed, Gu Li did not own the software products which the Group subsequently acquired in 2016.

Pursuant to a declaration of trust dated 25 December 2015, Ms. Gao declared that she agreed to hold the 70% equity interest in Gu Li on trust for an Independent Third Party. Under the Trust Arrangement, Ms. Gao cannot exercise any voting power over, or control the board composition of, Gu Li. The Trust Arrangement was in place at the request of the Independent Third Party due to her personal reasons. Ms. Gao has no personal interest in the Trust Arrangement and at no point in time. Ms. Gao was given the right to control or exert influence over Gu Li nor participated in the management of Gu Li. Other than holding the 70% interests in Gu Li at the relevant time as a trustee, Ms. Gao had no other involvement in Gu Li.

Parties involved in the negotiation of the Acquisitions

Upon completion of the Transfers, Mr. Wang and Mr. He administer the ordinary course of business of Gu Li and they were involved in the negotiation of the Acquisitions on the part of Gu Li. Ms. Gao was not involve in the day-to-day operation of Gu Li at all time and Ms. Gao was not involved in the negotiation of the Acquisitions.

The negotiation of the Acquisitions was led by the Group's technical team on the part of Benywave Wireless. Mr. Rong Shengli (the brother of Ms. Rong, an executive Director and the chief executive officer of the Company) and Mr. Tang Shun Lam (an executive Director) were involved in the negotiation of the Acquisitions.

Reasons for and benefits of the Acquisitions

The Group is a leading ODM smartphone supplier in the PRC targeting the overseas market. The intellectual property rights acquired by the Group under the Acquisitions representing certain software algorithms for smartphones operating the Android system. The Acquisitions will enable the Group to expand and enhance the functionality of its ODM smartphone products and improve the experience of the end users of its smartphones, which in turn can strengthen the competitiveness of the Group's products in mobile phone markets. At the material time when the Group was assessing whether to acquire the software products from Gu Li or some other vendors, the Group identified a total of six different companies (including Gu Li) who would provide similar software products as such software coding is not a commonly available software. Out of these six companies, Gu Li asked for the lowest price and the software products that Gu Li offered complemented with an unrestricted source code feature and such software products matched all the criteria and specifications of the software products which the Group was looking for.

The Acquisitions are also in line with the Group's business strategy to expand and enhance its product features and offerings. To ensure that the products software acquired by the Group would meet customers' need and satisfaction, the Group made enquiries with and discussed about the software products that Gu Li offered and the benefits of having such software products applied to the Group's business with two of the Group's existing long term customers prior to the signing of the Software Transfer Agreements. Positive feedbacks were received from such customers who provided further confidence for supports to the Group to proceed with the Acquisitions with Gu Li.

Based on the above and taking into consideration the more favourable terms that Gu Li offered at that relevant time, the Group decided to proceed with the Acquisitions with Gu Li. The Directors (including the independent non-executive Directors) are of the view that the terms of Software Transfer Agreements are fair and reasonable and on normal commercial terms and the Acquisitions are in the interests of the Company and its Shareholders as a whole.

Others

None of the Directors was considered to be interested in the transactions contemplated under the Software Transfer Agreements. The transactions contemplated under the Software Transfer Agreements were approved by all the Directors (including the independent non-executive Directors) and no Director abstained from voting on the relevant meeting of the Board for approving the Acquisitions.

The information in this announcement is to supplement, and does not affect, the information disclosed in the annual report of the Company for the year ended 31 December 2016.

INFORMATION ABOUT THE GROUP, BENYWAVE WIRELESS, GU LI AND ZHENGZHOU TIANHE

The Company is an investment holding company. The Group is one of the leading ODM smartphone suppliers in the PRC targeting overseas markets and principally engaged in (i) the developing, designing, production managing and selling of mobile telecommunications devices; (ii) the sale of mobile telecommunications related components and accessories; (iii) the provision of technical knowhow; and (iv) other add-on services relating to mobile telecommunications devices.

Benywave Wireless is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Benywave Wireless is the principal operating subsidiary of the Company.

Gu Li is a company established in the PRC with limited liability and is principally engaged in software development for mobile phones and related applications.

Zhengzhou Tianhe is a company established in the PRC with limited liability and is principally engaged in the supply of mobile phones and the related parts and components in the PRC. To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, Zhengzhou Tianhe and its ultimate beneficial owners are Independent Third Parties not connected with the Company and its connected persons.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Acquisitions”	the acquisitions of certain software products by Benywave Wireless from Gu Li pursuant to the terms of the Software Transfer Agreements
“Advance”	the amounts in the aggregate sum of RMB107 million advanced by Benywave Wireless to Zhengzhou Tianhe under the respective Loan Agreements

“Annual Report”	the annual report published by the Company on 24 April 2017 for the year ended 31 December 2016
“Annual Results Announcement”	the annual results announcement of the Company dated 29 March 2017 for the year ended 31 December 2016
“Beijing Tianyu”	北京天宇朗通通信股份有限公司 (Beijing Tianyu Communication Equipment Co. Ltd.*), a joint stock limited company established in the PRC and owned as to 90% by Ms. Rong and 10% by Mr. Ni, and a connected person of the Company
“Benywave Wireless”	北京百納威爾無線通信設備有限公司 (Beijing Benywave Wireless Communication Co., Ltd.*), a wholly foreign-owned enterprise established under the laws of the PRC and a wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Company”	Vital Mobile Holdings Limited, a company incorporated in Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“First Loan Agreement”	the loan agreement dated 23 August 2016 and entered into between Benywave Wireless and Zhengzhou Tianhe, pursuant to which Benywave Wireless advanced a RMB10 million non-interest bearing loan to Zhengzhou Tianhe
“Fourth Loan Agreement”	the loan agreement dated 18 November 2016 and entered into between Benywave Wireless and Zhengzhou Tianhe, pursuant to which Benywave Wireless advanced a RMB30 million non-interest bearing loan to Zhengzhou Tianhe
“Group”	the Company and its subsidiaries
“Gu Li”	北京谷粒科技有限公司 (Beijing Gu Li Technology Company Limited*), a limited company established under the laws of the PRC and owned as to 70% by Beijing Tianyu; 16% by Mr. He and 14% by Mr. Wang

“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rules) with Directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
“Loan Agreements”	the First Loan Agreement, the Second Loan Agreement, the Third Loan Agreement and the Fourth Loan Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. He”	Mr. He Jia (賀嘉), holder of a 16% equity interest in Gu Li. Mr. He is an Independent Third Party
“Mr. Ni”	Mr. Ni Gang (倪剛), the spouse of Ms. Rong and a controlling shareholder of the Company
“Mr. Wang”	Mr. Wang Guojiang (王國江), holder of a 14% equity interest of Gu Li. Mr. Wang is an Independent Third Party
“Ms. Gao”	Ms. Gao Han (高晗), the daughter of Ms. Rong and Mr. Ni and the holder of a 70% equity interest of Gu Li on trust for an Independent Third Party under the Trust Arrangement
“Ms. Rong”	Ms. Rong Xiuli (榮秀麗), the spouse of Mr. Ni and the chairperson, executive Director and controlling shareholder of the Company
“ODM”	acronym for original design manufacturer, a business model that designs and manufactures a product which is specified and eventually branded by another company for sale
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
“Prepayment Arrangement”	as defined under the paragraph headed “(1) Discloseable Transaction – Provision of financial assistance – The background and benefits of entering into the Loan Agreements” of this announcement

“RMB”	Renminbi, the lawful currency of the PRC
“Second Loan Agreement”	the loan agreement dated 25 September 2016 and entered into between Benywave Wireless and Zhengzhou Tianhe, pursuant to which Benywave Wireless advanced a RMB15 million non-interest bearing loan to Zhengzhou Tianhe
“Shareholders”	holders of the shares of the Company
“Software Transfer Agreements”	the First Software Transfer Agreement; the Second Software Transfer Agreement; the Third Software Transfer Agreement; the Fourth Software Transfer Agreement and the Fifth Software Transfer Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Third Loan Agreement”	the loan agreement dated 15 November 2016 and entered into between Benywave Wireless and Zhengzhou Tianhe, pursuant to which Benywave Wireless advanced a RMB52 million non-interest bearing loan to Zhengzhou Tianhe
“Transfers”	as defined under the paragraph headed “(2) Supplemental information in relation to annual results for the year ended 31 December 2016” of this announcement
“Trust Arrangement”	as defined under the paragraph headed “(2) Supplemental information in relation to annual results for the year ended 31 December 2016 – Shareholding information of Gu Li and the Trust Arrangement” of this announcement
“Zhengzhou Tianhe”	鄭州天河科技股份有限公司 (Zhengzhou Tianhe Technology Co., Ltd*), a joint stock limited company established under the laws of the PRC and an independent third party

Hong Kong, 15 May 2017

As at the date of this announcement, the Board of the Company comprised Ms. Rong Xiuli, Mr. Rong Shengli and Mr. Tang Shun Lam as executive Directors; and Mr. Hon Kwok Ping, Lawrence, Mr. Lam Yiu Kin and Mr. Tsang Yat Kiang as independent non-executive Directors.

* For identification purposes only