

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

Vital Mobile Holdings Limited

維太移動控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6133)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHT

- Our revenue decreased from RMB820.4 million for the first half of 2014 to RMB704.4 million for the first half of 2015, representing a decrease of 14.2% or RMB116.0 million.
- Net profit of the Company attributable to shareholders amounted to RMB62.4 million for the first half of 2015 compared to RMB62.0 million for the first half of 2014, representing an increase of 0.7% or RMB0.4 million.
- Without the impact of listing expenses, our underlying profit for six months ended 30 June 2015 is RMB74.8 million compared with same period last year of RMB64.8 million or an increase of 15.4%.
- Basic earnings per share for the six months ended 30 June 2015 was approximately RMB9.6 cents (for the corresponding period in 2014: approximately RMB9.6 cents).

The board (the “Board”) of directors (the “Directors” and each a “Director”) of Vital Mobile Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together, the “Group”) for the six months ended 30 June 2015 together with the comparative figures. The condensed consolidated interim results are unaudited, but have been reviewed by the Company’s audit committee (the “Audit Committee”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

| | | Six months ended 30 June | |
|--|--------------|---------------------------------|--------------------|
| | | 2015 | 2014 |
| | <i>NOTES</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| | | (Unaudited) | (Unaudited) |
| Revenue | 4 | 704,359 | 820,406 |
| Cost of sales | | (591,167) | (722,452) |
| Gross profit | | 113,192 | 97,954 |
| Other gain and loss | 5 | 5,340 | (90) |
| Other income | | 5,446 | – |
| Research and development costs | | (8,235) | (9,346) |
| Selling and distribution expenses | | (11,043) | (9,123) |
| Administrative expenses | | (4,577) | (3,602) |
| Listing expense | | (12,408) | (2,854) |
| Profit before tax | 6 | 87,715 | 72,939 |
| Income tax expense | 7 | (25,275) | (10,960) |
| Profit and total comprehensive income for the period attributable to equity holders of the Company | | <u>62,440</u> | <u>61,979</u> |
| Earnings per share | 8 | | |
| – basic (RMB per share) | | <u>0.096</u> | <u>0.096</u> |
| – diluted (RMB per share) | | <u>0.096</u> | <u>N/A</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

| | <i>NOTES</i> | As at 30 June 2015 RMB'000 (Unaudited) | As at 31 December 2014 RMB'000 (Audited) |
|---|--------------|---|--|
| Non-current assets | | | |
| Equipment | | <u>187</u> | <u>208</u> |
| | | 187 | 208 |
| Current assets | | | |
| Inventories | | 119,476 | 123,543 |
| Trade and other receivables | 10 | 437,403 | 397,843 |
| Amount due from a related party | 9 | 2,492 | 7,860 |
| Structured deposits | 11 | 250,000 | – |
| Cash and bank balances | | 398,625 | 10,440 |
| Pledged bank deposits | | <u>24,633</u> | <u>535</u> |
| | | 1,232,629 | 540,221 |
| Current liabilities | | | |
| Trade payables | 12 | 400,568 | 164,289 |
| Accrual and other payables | | 34,642 | 22,626 |
| Deposits received from customers | | 16,873 | 14,811 |
| Amount due to a related party | 9 | – | 4,116 |
| Tax payables | | 20,247 | 13,791 |
| Provision | | <u>21,961</u> | <u>23,332</u> |
| | | 494,291 | 242,965 |
| Net current assets | | <u>738,338</u> | <u>297,256</u> |
| Total assets less current liabilities | | <u>738,525</u> | <u>297,464</u> |
| Net assets | | <u>738,525</u> | <u>297,464</u> |
| Capital and reserves | | | |
| Share capital | | 67,041 | – |
| Share premium and reserve | | <u>671,484</u> | <u>297,464</u> |
| Equity attributable to equity holders of the Company | | <u>738,525</u> | <u>297,464</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. GENERAL INFORMATION

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

On 26 June 2015, the Company was listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

2. GROUP REORGANISATION AND BASIS OF PREPARATION

Historically, Beijing Benywave Technology Co., Ltd. (“Benywave Technology”) carried out the PRC Business (which has been primarily engaged in developing, designing, production management and selling of mobile telecommunication devices, and sale of mobile telecommunication related components and accessories under the self-owned brands, targeting the People’s Republic of China (“PRC”) market) and Overseas Business (which has been primarily engaged in developing, designing, production management and selling mobile telecommunication devices on original design manufacturer (“ODM”) basis and sale of mobile telecommunication related components and accessories, targeting overseas markets).

Pursuant to a split agreement dated 29 April 2014 which was approved by the relevant authorities in the PRC in July 2014, Benywave Technology has been resolved to split into two separate legal entities namely Benywave Technology and Beijing Benywave Wireless Communication Co., Ltd. (“Benywave Wireless”), with the original Benywave Technology retaining PRC Business and the new entity Benywave Wireless assuming the Overseas Business. The Overseas Business was operated as a separate business unit (the “Overseas Business Unit”) under Benywave Technology until the establishment of Benywave Wireless and completed the split, which the Overseas Business related assets and liabilities were assumed by Benywave Wireless on 29 August 2014 (the “Assets Transfer”). Benywave Technology and Benywave Wireless are owned by Vital Profit Technology Inc (“Vital Profit”) which is ultimately controlled by Winmate. In August 2014, The Company acquired the entire interest in Benywave Wireless from Vital Profit at a consideration of RMB100,000,000.

The Group comprising the Company and its subsidiaries resulting from the group reorganisation is regarded as a continuing entity. The Overseas Business Unit has been under the common control by Ms. Rong and Mr. Ni throughout the periods presented. For the purpose of presenting the financial results and cash flows of the Group, the Overseas Business Unit is deemed to be part of the Group for the six months ended 30 June 2014.

The condensed consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statements of cash flows of the Group for the six months ended 30 June 2014 include the results, changes in equity and cash flows of the Overseas Business as if the Overseas Business had been operated by the Group.

The Overseas Business was carried out by Benywave Technology prior to the Assets Transfer. To the extent income and expenses that are specifically identified to the Overseas Business, such items are included in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2014.

To the extent that the income and expenses are common to the Overseas Business and PRC Business, these items were allocated between the Overseas Business and PRC Business on the basis set out below (such items include certain research and development costs, administrative expenses and income tax expenses) for the six months ended 30 June 2014. Items that do not meet the criteria above are not included in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2014.

Expenses which are common to the Overseas Business and the PRC Business are allocated on the following basis: (1) research and development costs were allocated based on percentage of the budget revenue of the Overseas Business and percentage of the budget revenue of the PRC Business; (2) administrative expenses were allocated based on headcount of the Overseas Business and the headcount of the PRC Business; and (3) income tax expenses were calculated based on the tax rate of the Overseas Business Unit as if it were a separate tax payer.

The Directors believe that the method of allocation of the above items presents a reasonable basis of estimating what the Overseas Business Unit operating results would have been on a stand-alone basis for the six months ended 30 June 2014. Other than certain of the research and development costs, administrative expenses and income tax expenses mentioned above, all other items of income and expenses are specifically identified.

Prior to the completion of the Assets Transfer, the treasury and cash disbursement functions of the Overseas Business Unit were centrally administrated by Benywave Technology. All the transactions of the Overseas Business Units were settled by Benywave Technology and therefore, the net cash flows generated by the Overseas Business Unit was presented as net contribution from Benywave Technology in the consolidated statement of changes in equity for the six months ended 30 June 2014.

The condensed consolidation financial statements have been prepared in accordance with International Accounting Standard 34 (“IAS 34”) Interim Financial Reporting issued by the International Accounting Standards Board as well as with the applicable disclosure requirement of Appendix 16 to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the financial information of the Group for the three years ended 31 December 2014 as set out in the Appendix I to the prospectus of the Company dated 16 June 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards (“IFRS”) that are relevant for the preparation of the Group’s condensed consolidated financial statements:

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

The application of the above amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Revenue

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

Segmental information

The Group operates and manages its business as a single operating segment that engaged in developing, designing, production management and selling mobile telecommunication devices on ODM basis and sale of mobile telecommunication related components and accessories, targeting overseas markets. The Group’s chief operating decision maker has been identified as the Chief Executive Officer, who reviews revenue analysis by major products and the gross profit of the Group or the Overseas Business Unit prior to the completion of group reorganisation as a whole when making decisions about allocating resources and assessing performance of the Group.

Revenue from major products

The following table sets forth a breakdown of the Group’s revenue by major products during the six months ended 30 June 2015 and 2014.

| | Six months ended 30 June | |
|----------------------------|--------------------------|----------------|
| | 2015 | 2014 |
| | <i>RMB’000</i> | <i>RMB’000</i> |
| | (Unaudited) | (Unaudited) |
| Smart phones | 696,315 | 726,973 |
| Smartphone component packs | – | 92,856 |
| Mobile device components | 8,044 | 577 |
| | <u>704,359</u> | <u>820,406</u> |

5. OTHER GAIN AND LOSS

| | Six months ended 30 June | |
|-----------------------------------|--------------------------|----------------|
| | 2015 | 2014 |
| | <i>RMB’000</i> | <i>RMB’000</i> |
| | (Unaudited) | (Unaudited) |
| Foreign exchange gain (loss), net | <u>5,340</u> | <u>(90)</u> |

6. PROFIT BEFORE TAX

The Group's profit before tax has been arrived at after charging:

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2015 | 2014 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Depreciation of other equipment | 21 | 437 |
| Directors' emoluments | 1,240 | 804 |
| Other staff cost | | |
| Salaries and other allowance | 8,565 | 9,354 |
| Retirement benefit schemes contribution | 1,655 | 2,028 |
| | <hr/> | <hr/> |
| Total staff costs | 11,460 | 12,186 |
| Cost of inventories recognised as an expense | 591,167 | 722,452 |
| Write down of inventories (included in cost of sales) | 2,609 | 1,453 |
| Interest income | 4,838 | – |
| Government grant | 500 | – |
| Operating lease rentals in respect of rented premises | 763 | 473 |
| | <hr/> <hr/> | <hr/> <hr/> |

7. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|-----------------------------------|--------------------------|----------------|
| | 2015 | 2014 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Current tax | | |
| PRC Enterprise Income Tax ("EIT") | 25,275 | 10,960 |
| | <hr/> <hr/> | <hr/> <hr/> |

The tax rate of Vital Mobile (HK) Limited is 16.5%. No provision for Hong Kong Profits Tax has been made as the Group's operation in Hong Kong had no assessable profit for the six months ended 30 June 2015.

Under the Law of the PRC and Enterprise Income tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of Benywave Wireless is 25%. However, Benywave Technology is recognised as "New and High Technology Enterprises" and therefore entitled to apply a tax rate of 15% for the year 2014. The PRC EIT of the Overseas Business carried out by Benywave Technology prior to the establishment of Benywave Wireless is estimated by treating the Overseas Business Unit as a separate tax payer using the tax rate of Benywave Technology prior to the Assets Transfer.

8. EARNINGS PER SHARE

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

| | Six months ended 30 June | |
|---|---------------------------------|-------------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Earnings | | |
| Earnings for the purposes of basic earnings per share, Representing profit for the six months attributable to owners of the Company | 62,440 | 61,979 |
| | 62,440 | 61,979 |
| | | |
| | Six months ended 30 June | |
| | 2015 | 2014 |
| | '000 | '000 |
| Number of shares | | |
| Weighted average number of ordinary shares for the purposed of basic earnings per share | 651,635 | 646,000 |
| | 651,635 | 646,000 |

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

The over-allotment option granted by the Company in June 2015 has no significant impact in the computation of diluted earnings per share for the six months ended 30 June 2015. There were no dilutive potential shares for the six months ended 30 June 2014.

9. AMOUNT DUE FROM/TO A RELATED PARTY

The amounts are non-trading in nature, unsecured, non-interest bearing and have no fixed terms of repayment. The amount due from a related party has been settled in August 2015.

The amount due to a related party represents balance with a related company controlled by Ms. Rong as at 31 December 2014.

10. TRADE AND OTHER RECEIVABLES

| | As at 30 June 2015 <i>RMB'000</i> (Unaudited) | As at 31 December 2014 <i>RMB'000</i> (Audited) |
|-------------------------------|---|---|
| Trade receivables | 269,199 | 337,184 |
| Other receivables | | |
| – Value added tax receivables | 100,959 | 55,858 |
| – Others | 4,872 | 90 |
| Prepayments to suppliers | 62,373 | 1,226 |
| Listing fee | – | 3,485 |
| | <u>437,403</u> | <u>397,843</u> |

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

| | As at 30 June 2015 <i>RMB'000</i> (Unaudited) | As at 31 December 2014 <i>RMB'000</i> (Audited) |
|--------------------|---|---|
| Within 60 days | 221,131 | 234,514 |
| 61 to 180 days | 41,965 | 96,525 |
| 181 days to 1 year | 6,103 | 6,145 |
| | <u>269,199</u> | <u>337,184</u> |

11. STRUCTURED DEPOSITS

The amount represents a principal-protected RMB-denominated structured deposit placed by the Company in a licensed commercial bank in the PRC with a maturity period of 181 days up to early August 2015. The amount of interest on the structured deposit is linked to the three-month London Interbank Offer Rate (“LIBOR”). At maturity, the Company is entitled to receive the principal plus interests. The expected annual interest rate for the structured deposits is indicated at 4.9% to 5.0%, however, the actual interest to be received is uncertain until maturity.

12. TRADE PAYABLES

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

| | As at 30 June 2015 RMB'000 (Unaudited) | As at 31 December 2014 RMB'000 (Audited) |
|--------------------|---|---|
| Within 90 days | 240,574 | 163,747 |
| 91 to 180 days | 120,403 | 542 |
| 181 days to 1 year | 39,591 | – |
| | <hr/> 400,568 <hr/> | <hr/> 164,289 <hr/> |

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Company is engaged in the business of supplying ODM services for high end mobile phones, servicing the emerging markets and some developed markets. We are supporting our customers in a timely fashion with a lean structure and an asset-light business model. With the above advantages, we have been able to develop into a leading supplier of top-tier smartphone component/system. The Company is growing continuously through quick design-in activities for targeted accounts and markets. We have successfully transformed our product mix from 3G to 4G smartphone products in the past 6 months with the majority of products offered in the high end. It is our mission that we will cooperate with the top 3 local brands in each of the local market that we have presence. It is based on this belief that we are providing the best value for money products using the best components and best designs. Unlike our competitors who mainly build their own brands in the market of their own, our business model focuses on supporting the leading local brands. Such business model allows us to lower the expense for marketing and advertising activities to less than 3% of the sales, thus bringing about overwhelming edges in terms of cost. Meanwhile, we can limit our exposure to over-stocking as these risks are passed on to our loyal customers who own the local brands.

Our business strategy works very well as the global smartphone market is gyrating towards a few large global brands and a mix of local brands in each country, which means mid-sized brands are gradually deteriorating with their market share squeezed. However, we are able to avoid making the same mistake of other brands or manufacturers who are suffering from substantial impairment for over-stocking in their distribution channels.

The Company has recently gone public on the Stock Exchange and we have cash in hand of more than HK\$400 million, and we intend to apply the amount in funding the working capital for new supply contracts secured in the emerging markets. Also, the proceed will be used for recruitment of new talents and assets acquisitions for the sake of expanding our capabilities in software development. Our research and development (“R&D”) expense is expected to grow from 1.2% to 1.4% of sales accordingly.

Overall Performance of the Group

The first half of 2015 was challenging for smartphone enterprises around the world. Global handset giants gained additional market share continuously and launched products at a faster rate, which shortened the life cycle and sped up the phasing out of old models. All these contributed to the narrowed average profit margin and the diminished living space of small-sized industry player. The popularity of 4G smartphones brings about curses and blessings to the smartphone industry at the same time.

Based on our unaudited management accounts, our net profit for the six months ended 30 June 2015 remained stable. The gross profit and gross profit margin increased as compared to the corresponding period in 2014. During the six months ended 30 June 2015, the improved gross profit and gross profit margin eliminate the effect of decreased unit sales as compared to the corresponding period in previous year, and the performance gradually picked up in months subsequent to June 2015.

The stable unit sales for the six months ended 30 June 2015 were primarily attributable to the following factors: (i) the average selling prices of 3G products decreased along with the progression of its product life cycle gradually; the competition in the 3G product market became intensified and 4G mobile handsets became popular; in particular, certain 3G smartphone products we sold for the six months ended 30 June 2015 were repeated orders of products with obsoleted design and those products were sold at lower average selling prices; (ii) sales of our smartphone component packs decreased as the relevant client to which we supplied those products was acquired by a multinational technology company, and as our management expected potential changes in the development plan of the mobile business segment of that client, we intentionally decreased our sales to that client to avoid any uncertainty arising from the internal restructuring of which; and (iii) the shipment of 4G products increased, thus eliminating the effect of reduced sales of 3G smartphone products. The shortfall in profit from 3G smartphone products was compensated by better margins from 4G products shipped to Taiwan.

The overall increase in gross profit and gross profit margin for the six months ended 30 June 2015 as compared to the corresponding period of previous year was mainly due to the increase in sales of 4G products and the launch of the latest 4G smartphone models with higher gross profit margin.

Without the impact of listing expenses, our underlying profit for six months ended 30 June 2015 is RMB74.8 million compared with same period last year of RMB64.8 million or an increase of 15.4%.

By shifting our focus to high-end products to lower the ratio of costs to sales revenue, we will be able to control our costs. We have been using data mining to serve our customers better, which allows us to reduce our development and maintenance costs.

Business Prospect

The second half of the year is a traditional peak season for smartphone business. A number of new 4G networks will start commission in Q3 of this year, such as those in India and South America. We have received bulk orders for 4G smartphones placed by Indian operators of these newly developed networks, and shipment will be delivered in Q3 and Q4. In North America, we are focusing our effort on switching from serving a single customer to supporting distribution via multiple channels. With the increase in the expected shipment of 4G handsets to compensate the decreased sales volume of 3G products, we expect better average selling prices (the “ASP”) per unit for our products in the second half of 2015, thus edging up the ASP from US\$66 to over US\$80.

Our marketing positioning has been successful. We will capitalize on the success to expand our business to other markets in Africa, Europe and North America, and we will keep abreast of the latest design in these areas. We will continue to step up our effort on improving our product design to meet the stringent requirement of high end consumers, and this will also allow us to improve our ASP and thus profitability. We are also improving the service standard to our customers by setting up a local support team.

We are expanding our R&D team in both hardware and software businesses. With the increasing number of 4G service subscribers, more marketing opportunities are generated and we can provide better user experience and easier data applications. We are working with a number of strategic customers on special features that will bring about benefits to handset brands by enabling them to provide value added services. This is a planned new income source in addition to revenue from the sales of hardware. It is particularly important that we can take advantages of the change in distribution channels as industry operators in the United States of America (“USA”) are adopting the Chinese model that products are distributed through the open market and we have been trying our best to increase our channel partner from one to three.

We believe the recent devaluation of RMB will be a positive trend for our business in the short term because some local costs will be lowered. However, since customers may want to share the benefits generated by lowered costs, the impact of depreciated RMB will be limited over the longer term.

As stated in our listing prospectus, part of the proceeds will be used to set up supporting branches in areas in which our major customers are located. We have established a support centre in India and a representative office in the North America, and we will set up a new representative office in Europe.

The listing of the Company is an important milestone in the strategic development of the Group. Since our listing, the capital strength of the Group has been further enhanced; we therefore became the first and only high-end devote one-stop ODM service smartphone solution provider for oversea markets listed in Hong Kong, with a strategic focus on 4G smartphone and software development. Leveraging on the asset-light business model as well as the leading R&D team in the industry, the management is confident in grasping market opportunities ahead and laying a solid foundation for continued enhancement in profitability.

FINANCIAL REVIEW

Revenue

Our revenue decreased by approximately RMB116.0 million or 14.1% to approximately RMB704.4 million for the six months ended 30 June 2015 from approximately RMB820.4 million for the six months ended 30 June 2014, the following table sets forth the breakdown of our revenue by product type:

| | For the six months ended 30 June | | | |
|----------------------------|----------------------------------|---------------------|-----------------------|---------------------|
| | 2015 | | 2014 | |
| | <i>RMB'000</i> | <i>%</i> | <i>RMB'000</i> | <i>%</i> |
| Smartphones | 696,315 | 98.9 | 726,973 | 88.6 |
| Smartphone component packs | – | – | 92,856 | 11.3 |
| Mobile device components | 8,044 | 1.1 | 577 | 0.1 |
| Total | <u>704,359</u> | <u>100.0</u> | <u>820,406</u> | <u>100.0</u> |

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

Our revenue generated from sale of smartphones decreased from approximately RMB727.0 million for the six months ended 30 June 2014 to approximately RMB696.3 million for the six months ended 30 June 2015, representing a decrease of 4.2%. During the six months ended 30 June 2015, our revenue was mainly derived from 4G smartphones, 4G smartphones increased from approximately RMB212.5 million for the six months ended 30 June 2014 to approximately RMB408.0 million for the six months ended 30 June 2015, 3G smartphones decreased from approximately RMB514.5 million for the six months ended 30 June 2014 to approximately RMB288.3 million for the six months ended 30 June 2015, which was primarily due to the decrease in sales of 3G smartphone after our decision to focus on 4G market in the first half of 2015.

The following table sets forth the breakdown of our revenue by geographical regions for the periods indicated:

| | For the six months ended 30 June | | | |
|---------------------|---|---------------------|-----------------------|---------------------|
| | 2015 | | 2014 | |
| | <i>RMB'000</i> | <i>%</i> | <i>RMB'000</i> | <i>%</i> |
| South Asia | 65,078 | 9.2 | 34,179 | 4.2 |
| Southeast Asia | 1,193 | 0.2 | 45,683 | 5.6 |
| Hong Kong | 123,489 | 17.5 | 254,573 | 31.0 |
| Other parts of Asia | 211,643 | 30.1 | 59,524 | 7.3 |
| Europe | 70,068 | 10.0 | 170,050 | 20.7 |
| South America | 1,545 | 0.2 | 100,499 | 12.2 |
| North America | 102,228 | 14.5 | 152,157 | 18.5 |
| Africa | 129,115 | 18.3 | 3,741 | 0.5 |
| Total | <u>704,359</u> | <u>100.0</u> | <u>820,406</u> | <u>100.0</u> |

Notes:

- (1) South Asia includes India and Bangladesh.
- (2) Southeast Asia includes Philippines, Thailand, Vietnam, Malaysia and Indonesia.
- (3) Sales to Hong Kong mainly comprised of sales to certain mobile trading companies incorporated in Hong Kong who sell branded mobile handsets to various countries including but not limited to Philippines, Vietnam, Thailand, Malaysia, India, Indonesia, Korea and Pakistan.
- (4) Other parts of Asia includes Taiwan, Yemen, Pakistan, Dubai and Turkey.
- (5) Europe includes France, Romania, Russia, Portugal, Cyprus and Italy.
- (6) South America includes Brazil and Venezuela.
- (7) North America includes USA and Mexico.
- (8) Africa includes South Africa, Algeria and Morocco.

Our revenue generated from sale in Southeast Asia decreased from approximately RMB45.7 million for the six months ended 30 June 2014 to approximately RMB1.2 million for the six months ended 30 June 2015, representing a decrease of 97.4%. It was mainly due to the completion of 3G smartphones orders of certain customers. The management will launch the new products and sales orders in Southeast Asia in the second half year of 2015.

During the six months ended 30 June 2015, our revenue generated from sale in South America decreased from approximately RMB100.5 million for the six months ended 30 June 2014 to approximately RMB1.5 million for the six months ended 30 June 2015, representing a decrease of 98.5%. The decrease was mainly due to the sales of smartphone component packs to a certain customer in South America. As the relevant customer was acquired by a multinational technology company, we foresee potential changes in its mobile business segment on its development plan. As such, we have intentionally decreased sales to such customer to avoid any uncertainties arising from its internal restructuring.

In Africa, our revenue increased from approximately RMB3.7 million for the six months ended 30 June 2014 to approximately RMB129.1 million for the six months ended 30 June 2015, representing an increase of RMB125.4 million. It was primarily due to our decision to develop African market this year, in which area has less competition and more gross profit ratio.

In addition, our revenue was mainly derived from other parts of Asia, such as Taiwan, our revenue from this area increased from approximately RMB59.5 million for the six months ended 30 June 2014 to approximately RMB211.6 million for the six months ended 30 June 2015, which was mainly due to 4G products with better margins shipping to Taiwan.

Gross profit and gross profit margin

| | For the six months ended 30 June | | | |
|----------------------------|----------------------------------|-------------|---------------|-------------|
| | 2015 | | 2014 | |
| | RMB'000 | % | RMB'000 | % |
| Smart phones | 113,453 | 16.3 | 81,398 | 11.2 |
| Smartphone component packs | – | – | 16,460 | 17.7 |
| Mobile device components | (261) | (3.2) | 96 | 16.6 |
| | <u>113,192</u> | <u>16.1</u> | <u>97,954</u> | <u>11.9</u> |

Gross profit amounted to approximately RMB113.2 million for the six months ended 30 June 2015, increased by approximately RMB15.2 million or 15.6% from RMB98.0 million for the six months ended 30 June 2014. The gross profit ratio increased by 4.2% from 11.9% for the six months ended 30 June 2014 to 16.1% for the six months ended 30 June 2015. The increase in gross profit margin was primarily contributed by increased 4G smartphones volume with high gross margin and controlling cost of sales. The gross profit and gross profit margin of 3G products for the six months ended 30 June 2015 decreased in line with the progression of its product life cycle compared to the corresponding period. The gross profit and gross profit margin of 4G products for the six months ended 30 June 2015 were mainly due to, i) the sales volume of 4G products increased by 158.8%, ii) the cost of 4G products decreased by the successful costing control and monitoring.

Research and development costs

Research and development costs mainly include R&D staff costs (including salaries and allowances, staff welfare and other staff related expenses) and product test costs. Research and development costs amounted to approximately RMB8.2 million for the six months ended 30 June 2015, decreased by approximately RMB1.1 million or 11.9% from RMB9.3 million for the six months ended 30 June 2014. The decrease was mainly due to the product test costs for developing functionality and feasibility of the new design.

Selling and distribution expenses

Selling and distribution expenses mainly include sales staff costs and freight charges, office expenses, marketing expenses and others. Selling expenses amounted to approximately RMB11.0 million for the six months ended 30 June 2015, increased by approximately RMB1.9 million or 20.9% from RMB9.1 million for the six months ended 30 June 2014. The increase was primarily due to (i) increase in freight charges as a result of increase of the sales volume this area 2015; (ii) market expenses increased to promote 4G products in the overseas markets.

Administrative expenses

Administrative expenses mainly include staff costs for developing functionality and feasibility of the new design for administrative employees, audit fees and general office expenses. Administrative expenses amounted to approximately RMB4.6 million for the six months ended 30 June 2015, increased by approximately RMB1.0 million or 27.7% from RMB3.6 million for the six months ended 30 June 2014. The increase was primarily due to the increased general office expenses and staff costs for the overseas offices.

Other income

Other income mainly consisted of the interest income of the structured deposit and the income from government grant, which amounted to RMB4.9 million and RMB0.5 million, respectively.

Taxation

Income tax increased by approximately RMB14.3 million or 130.6% to RMB25.3 million for the six months ended 30 June 2015 from RMB11.0 million for the corresponding period in 2014. The increase was mainly attributable to the increase in tax rate. The tax rate of Benywave Wireless is 25%. However, Benywave Technology is recognised as “New and High Technology Enterprises” and applied a tax rate of 15% for the whole period of 2014. The Overseas Business Unit as a separate tax payer using the tax rate of Benywave Technology for the six month ended 30 June 2014.

Liquidity and source of funding

As at 30 June 2015, the Group’s total bank balances and cash increased by RMB388.2 million from RMB10.4 million as at 31 December 2014 to RMB398.6 million. The significant increase of cash and bank balances for the period primarily was contributed from the net proceeds from the global offering.

As at 30 June 2015, 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 40.1% as compared with 45.0% as at 31 December 2014.

The Group does not have any bank borrowings and other debt financing obligations as at 30 June 2015 or the date of this interim results announcement and does not have any breaches of finance covenants. The Group has US\$3.0 million unused banking facilities as at 30 June 2015.

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 six months ended 30 June 2015.

Contingent liabilities and commitments

The Group had no material contingent liabilities and commitments as at 30 June 2015.

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 RMB39,000 rental expenses were incurred by Benywave Wireless for the six months ended 30 June 2015.

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 RMB409,000 rental expenses were incurred by Benywave Wireless for the six months ended 30 June 2015.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015.

USE OF PROCEEDS

With the successful listing of the Company’s shares on the main board of the Stock Exchange on 26 June 2015, the net proceeds of HK\$488.0 million have been raised and were kept at the bank account of the Group to be used in accordance with the plan of use of proceeds as stated in the prospectus of the Company dated 16 June 2015.

SHARE OPTION AND RESTRICTED SHARE UNIT SCHEME

On 9 June 2015, a share option scheme (“Share Option Scheme”) and a restricted share unit (“RSU”) scheme were approved and adopted by the board of Directors. No share option or RSU was granted up to the date of this announcement.

HUMAN RESOURCES

As at 30 June 2015, the Group employed approximately 133 employees in Hong Kong and mainland China. The Group remunerated the employees based on their performance, experience and prevailing market practices.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions set out in the Corporate Governance Code (the “CG code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) since 26 June 2015, being the date of listing of the Company, and up to the date hereof.

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code of conduct regarding directors’ securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2015.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities since 26 June 2015, being the date of listing of the Company and up to the date hereof.

CHANGE OF DIRECTORS’ INFORMATION

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

1. Mr. Tang Shun Lam has been appointed as an independent non-executive director of Greenheart Group Limited (stock code: 94) with effect from 2 July 2015.
2. Mr. Lam Yiu Kin has been appointed as an independent non-executive director of (i) Global Digital Creations Holdings Limited (stock code: 8271) with effect from 27 July 2015; (ii) Shougang Concord Century Holdings Limited (stock code: 103) with effect from 1 August 2015; (iii) Mason Financial Holdings Limited (stock code: 273) with effect from 1 August 2015; and (iv) COSCO Pacific Limited (stock code: 1199) with effect from 14 August 2015.

AUDIT COMMITTEE

The Company has an Audit Committee, which was established in accordance with Rule 3.21 of the Listing Rules with primary duties of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee of the Company comprises three independent non-executive Directors, namely Mr. Lam Yiu Kin (Chairman), Mr. Tsang Yat Kiang and Mr. Hon Kwok Ping, Lawrence.

The Audit Committee has reviewed the unaudited condensed consolidated financial results of the Company for the six months ended 30 June 2015 and agreed to the accounting principles and practices adopted by the Company.

PUBLICATION OF FINANCIAL INFORMATION

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.vital-mobile.com). The Company's interim report for the six months ended 30 June 2015 containing all information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the above websites in due course.

By order of the Board
Vital Mobile Holdings Limited
Rong Xiuli
Chairperson

Hong Kong, 17 August 2015

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