Vital Innovations Holdings Limited
維太創科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6133)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the "Board") of directors (the "Directors") of Vital Innovations Holdings Limited (the "Company" or "Vital Inno") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2020 together with the comparative figures for the year ended 31 December 2019, which have been reviewed by the Company's audit committee (the "Audit Committee").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020** *RMB'000*	2019 *RMB'000*
Revenue	3	**881,137**	815,940
Cost of sales		**(960,705)**	(808,259)
Gross (loss) profit		**(79,568)**	7,681
Other gains, net	4	**4,663**	5,787
Other income	5	**148**	5,839
Selling and distribution costs		**(5,547)**	(5,625)
Administrative expenses		**(16,619)**	(18,224)
Finance costs		**(687)**	(1,032)
Loss before tax	6	**(97,610)**	(5,574)
Income tax	7	**–**	–
Loss and total comprehensive expense for the year		**(97,610)**	(5,574)
(Loss) profit and total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(97,625)**	(5,574)
Non-controlling interests		**15**	–
		(97,610)	(5,574)
Loss per share	8		
Basic and diluted (RMB cents)		**(11.48)**	(0.66)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	**2020** *RMB'000*	2019 *RMB'000*
Non-current assets			
Equipment		**69**	100
Finance lease receivable		**85**	–
Right-of-use assets		**588**	1,577
		742	1,677
Current assets			
Finance lease receivable		**109**	–
Inventories		**27,100**	5,384
Trade and other receivables	10	**6,206**	2,280
Prepayments		**618,769**	686,415
Pledged bank deposits		**3,305**	3,504
Cash and bank balances		**54,369**	51,207
		709,858	748,790
Current liabilities			
Trade payables	11	**29,931**	12,740
Bank loans		**20,395**	20,874
Accruals and other payables		**50,121**	38,747
Contract liabilities		**43,674**	13,127
Lease liabilities		**449**	1,443
Tax liabilities		**3,531**	3,531
		148,101	90,462
Net current assets		**561,757**	658,328
Total assets less current liabilities		**562,499**	660,005
Non-current liability			
Lease liabilities		**280**	176
Net assets		**562,219**	659,829
Capital and reserves			
Share capital		**67,041**	67,041
Share premium and reserves		**495,163**	592,788
Equity attributable to owners of the Company		**562,204**	659,829
Non-controlling interests		**15**	–
Total equity		**562,219**	659,829

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

Vital Innovations 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 Islands (the "BVI") and is 90% and 10% owned by Ms. Rong Xiuli ("Ms. Rong")and Mr. Ni Gang ("Mr. Ni"), the husband of Ms. Rong, respectively.

On 26 June 2015, the Company was listed on the main board of The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report. The Company is principally engaged in investment holding and the principal activities of its subsidiaries (together with the Company collectively referred to as the "Group") are principally engaged in mobile telecommunication devices export operations and trading of Artificial Intelligence ("AI") and other equipment 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 AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(S)")

In the current year, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in IFRSs and the following amendments to IFRSs, which include IFRSs and International Accounting Standards ("IAS(s)"), issued by the International Accounting Standards Board (the "IASB") which are effective for the Group's financial year beginning on 1 January 2020.

Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in IFRSs and the amendments to IFRS, in the current year has had no material effects on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and related Amendments[5]
Amendments to IFRS 3	Reference to Conceptual Framework[4]
Amendments to IFRS 16	COVID-19 Related Rent Concessions[1]
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 1	Classification of Liabilities as Current or Non-current[5]
Amendments to IAS 8	Definition of Accounting Estimates[5]
Amendments to IAS 16	Property, plant and equipment: Proceeds before Intended Use[4]
Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contract[4]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[5]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate Benchmark Reform - Phase 2[2]
Amendment to IFRSs	Annual improvements to IFRSs 2018 - 2020 cycle[4]

1 Effective for annual periods beginning on or after 1 June 2020.

2 Effective for annual periods beginning on or after 1 January 2021.

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 2022.

5 Effective for annual periods beginning on or after 1 January 2023.

The directors of the Company anticipate that the application of new and amendments to IFRSs will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

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

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15 are recognised at a point in time as follows:		
Mobile telecommunication devices	**773,421**	815,940
AI and other equipment	**107,716**	–
	881,137	815,940

During the year ended 31 December 2019, the Group's chief operating decision maker ("CODM") has been identified as the Chief Executive Officer reviewed revenue analysis by major products and gross profit of the Group as a whole when making decisions about allocating resources and assessing performance of the Group. During the year ended 31 December 2020, the Group expanded its business into trading of AI and other equipment and two reportable segments were identified. Accordingly, the segment information reported for the prior period has been restated to reflect the two reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Trading of mobile telecommunication devices (including mobile telecommunication related components and accessories)
- Trading of AI and other equipment

No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

	Trading of mobile telecommunication devices		**Trading of AI and other equipment**		**Total**	
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue	**773,421**	815,940	**107,716**	–	**881,137**	815,940
Segment profit (loss)	**668**	2,036	**(85,783)**	–	**(85,115)**	2,056
Other gains, net					**4,663**	5,787
Other income					**148**	5,839
Finance costs					**(687)**	(1,032)
Unallocated corporate expenses					**(16,619)**	(18,224)
Loss before tax					**(97,610)**	(5,574)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3 to the consolidated financial statements in annual report. Segment profit (loss) represents the profit (loss) earned by each segment without allocation of other gains, net, other income, administrative expenses and finance costs. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

There were no inter-segment sales in both periods.

4. OTHER GAINS, NET

	2020	2019
	RMB'000	*RMB'000*
Foreign exchange losses, net	**(2,876)**	(5)
Reversal of impairment loss on trade receivables	**–**	26
Reversal of impairment loss on other receivables, pledged bank deposits and bank deposit	**509**	3,939
Government grants (note)	**588**	–
Gain on write-off of trade payables	**2,992**	1,825
Gain from sales of scrap materials	**3,947**	52
Gain on derecognition of right-of-use asset	**76**	–
Others	**(573)**	(50)
	4,663	5,787

Note: During the year ended 31 December 2020, the Group recognised government grants of approximately RMB588,000 in respect of COVID-19 related subsidies, of which amounted to approximately RMB561,000 related to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund.

5. OTHER INCOME

	2020	2019
	RMB'000	*RMB'000*
Interest income on pledged bank deposits	**18**	1,456
Interest income on bank deposits	**–**	3,376
Interest income on finance lease	**3**	–
Interest income on bank balances	**7**	434
	28	5,266
Services income	**–**	573
Others	**120**	–
	148	5,839

6. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	2020	2019
	RMB'000	*RMB'000*
Directors' emoluments	**3,782**	5,106
Other staff		
– salaries and other allowances	**5,937**	6,767
– retirement benefits schemes contributions (excluding directors)	**406**	764
Total staff costs	**10,125**	12,637
Auditor's remuneration	**1,850**	2,046
Depreciation of equipment	**31**	33
Depreciation of right-of-use assets	**1,476**	1,784
Cost of inventories recognised as an expense	**960,705**	808,259

7. INCOME TAX

No provision for Hong Kong Profits Tax and Enterprise Income Tax was made as the Group did not have any assessable profits generated for the years ended 31 December 2020 and 2019. The Company's subsidiaries incorporated in Hong Kong is subject to the Hong Kong Profits Tax at 16.5% (2019: 16.5%).

Under the Law of the PRC and Enterprise Income tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries are 25% from 1 January 2008 onwards. For the years ended 31 December 2020 and 2019, a PRC subsidiary, Beijing Benywave Wireless Communication Co., Ltd ("Benywave Wireless")* 北京百納威爾無線通信設備有限公司, was recognised as "New and High Technology Enterprises" and is entitled to apply a preferential tax rate of 15%.

8. LOSS PER SHARE

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

	2020	2019
	RMB'000	*RMB'000*
Loss for the purposes of basic and diluted loss per share, representing loss for the year attributable to the owners of the Company	**(97,625)**	(5,574)

	2020	2019
	RMB'000	*RMB'000*
Number of shares		
Number of ordinary shares for the purposes of basic and diluted loss per share	**850,000**	850,000

Diluted loss per share is equal to basic loss per shares as there were no dilutive potential ordinary shares in issue during the years ended 31 December 2020 and 2019.

9. DIVIDENDS

	2020	2019
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year	**–**	75,000

No dividend was paid or proposed during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period.

During the year ended 31 December 2019, a special dividend of HK$0.10 (equivalent to approximately RMB0.09) per ordinary share out of the share premium account amounted to HK$85,000,000 (approximately to RMB75,000,000) was debited and out of which approximately RMB252,000 has not yet paid and included in accruals and other payables as at 31 December 2019 and 2020.

10. TRADE AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	–	15,048
Less: allowance for impairment losses	–	(15,048)
	–	–
Other receivables		
– Interest receivables	–	2
– Other PRC tax receivables	**5,383**	2,036
– Others	**851**	521
	6,234	2,559
Less: allowance for impairment losses	**(28)**	(279)
Total trade and other receivables	**6,206**	2,280

Note: 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.

As at 31 December 2019, the trade receivables was aged over 3 years since the invoice date.

The Group did not hold any collaterals over these balances.

11. TRADE PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**29,931**	12,740

The following is an ageing analysis of trade payables at the end of the reporting period:

	2020	2019
	RMB'000	*RMB'000*
Within 90 days	**8,293**	–
91 to 180 days	**13,121**	–
181 days to 1 year	**–**	–
Over 1 year	**8,517**	12,740
Total	**29,931**	12,740

The average credit period on purchases of goods is 30-90 days but the credit terms can be longer subject to individual supplier policy and the result of negotiation between the supplier and the Group. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Vital Innovations Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are primarily engaged in the provision of products and services including mobile phones, smartphones and related business which encompassed research and development, design, engineering, material sourcing, supply chain management, logistic, and the services activities to the target markets. The Group's main business is to service its diverse number of wholesalers and resellers by using its extensive understanding of telecommunication technology, a large network of technological and service provider partners.

In 2020, the main business of the Group was adversely affected by two factors. One is the Sino-American trade war. Another is the global pandemic due to outbreak of COVID-19. The business environment for international trade continued to face huge pressure. In 2020, global smartphone shipments continued to slip quickly. According to the data released by Canalys on 10 March 2021, the global smartphone shipments in 2020 was 1,265 million units, representing a year-on-year decrease of 7%, the third consecutive year of decline. The decrease was partially due to the problem of supply chain of the accessories affected by the outbreak of the COVID-19 pandemic and the weakening demand of smartphone stemmed from the poor economy.

In the second half of 2020, the Group strove hard to maintain its customer base through innovation and efficiency. The management team continued to adjust the higher margin policy to high volume, lower gross margin in getting more sales revenue. The sales revenue for the second half of 2020 was RMB525.5 million , representing an increase of 112% increase as comparing with the first half of 2020. Even the overall market was still tough, however, the Group was still able to deliver approximately 95% of last year shipments. The Group continues to control all operating expenses tightly in order to minimize the operating losses.

The artificial intelligence ("AI") equipment trading business suffered from a huge loss during the year 2020 due to the sudden worsening pandemic situation and all the business activities were shut down at that period. Driven by prudence strategy, the management team acted in all means to reduce the negative effect of the pandemic but a loss had occurred due to the extreme situation. The Group has suspended the trading business for AI equipment and the Group is currently carefully and cautiously reviewing the continuation of the business. Whilst the overall market was difficult during the year 2020, the Group managed to maintain the majority of the overall business revenue even in a tough environment. The management team delivered to keep the core business healthy as well as to keep searching for new business opportunities.

In 2020, China was the only major economy that sustained positive growth in the world. The outbreak of COVID-19 in 2020 challenged the Group in all aspects. It was a year of examination. The planning on taking strategic detour in sharpening the competitiveness and repositioning was once hit but the management team did not give up. Over the year of 2020, the pursuit to strike a balance on optimal business model and organizational structure did not stop under the backdrop of the pandemic. By unfailing efforts of the management team, the Group successfully delivered by showing the ability to continue the operation in extreme environment.

The vaccines of COVID-19 have been taking into wide usage for different major countries and the Group believes that the extreme environment would be relieved and the business environment would be improved if the situation of pandemic is eased as the circulation of business travel and transportation of goods resume normal.

BUSINESS OUTLOOK

The second wave of COVID-19 has taken a huge toll, but unlike the first wave, the industry was braced for impact. Smartphones purchases increased during the year 2020 as customers were prepared to equip better to assist with working-from-home and remote learning. The introduction of COVID-19 vaccines is also boosting business confidence for 2021. Going forwards, there will be obvious economic ripple effects as government stimulus fades, and there are ongoing concerns around new virus strains. Overall though, sentiment in the industry is positive, and 2021 will see the smartphone market rebound after a 7% decline in 2020. According to Gartner's forecast on 5 February 2021, smartphone sales to grow 11.4% in 2021, 5G to reach 35% shares. The smartphone world will return to growth in 2021. The researcher projects an 11.4% increase in sales over 2020, that would see more than 1.5 billion units of smartphones will be shipped.

The Group remains prudently optimistic for 2021 due to the expectation of relieving pandemic all over the world. International trade and business activities would resume normal in a large extent. The Group is working with the above trend in mind and believes smartphone manufactures will seek to form their own and new brand matrix in 2021 to please users especially 5G products and related AIoT. The Group will introduce more Chinese brands of smartphones, AIoT to new customers and focus on the new market such as Middle Asia and South Asia for sales expansion. The Group believes that it can work well along with this strategy as the Group has its own infrastructure to support the growth. The sales volume for 2021 is anticipated to be increased significantly.

The business direction would go with the same way under the strategic direction of China. With China entering mid-income group with GDP per capita over ten thousand USD. The consumption in raising the living standard would continue to be the key driver for the growth of China and it is believed that it will continue for the coming decades as China is not only a country of production but also a country of consumption.

The intensity of geopolitics and containment from USA would not be able to limit the rise of China as the system of China has been tested during the global pandemic and China delivered a successful result that is historical and heroic. It is expected that the global business environment would continue to be highly volatile and uncertain due to the almost unlimited quantitative easing for the major central banks for the developed countries. Major financial instability would be the result of these self-interest moves. Among the major economies, China's fiscal and monetary policies would be the healthiest. The national strategy to develop in technological advancement and consumption would be the opportunities for the Group.

It is expected that the 2021 would be a rebounding year for growth of China and development of the Group. Overcoming the 2020, the Group would actively enlarge the devotion in main business by grabbing the rebound of the world's economies. The suppressed demand is expected to release over the coming year. The Group would focus in providing more customer values in increasing the efficiency and cost saving aspects for customers. The Group would adopt a cost strategy to gain larger market share and exposure. Combined with the varieties of product solution, ecosystem of electronic products would be mapped and provided to customers in the world.

The dual circulation strategy of China would also be a direction for the Group to explore opportunities. Apart from the international trade, the domestic trade market in China would possibly be the target of the Group by leveraging the Group's reputation and experiences in the field. The target, depth and structure of trade could be expanded and bring in commercial values to the Group. In other words, by focusing in smartphone as single product, the Group suggests that is not enough in such difficult business environment to provide customer values. Instead, an ecosystem for personal electronic solutions would be provided.

The Company also would like to explore for the chance to make investment in technological advancement projects which is within the expertise and experience of the management team to enhance the competitiveness of the Group and to diversify for the Group to bring in financial and commercial values. The management team consists of IT professionals with more than 20 years' experiences and long-term reputation in the Chinese market. This could easily be transformed into competitive advantages that could be long lasting as they could provide insightful judgement in different technological advancement projects.

FINANCIAL REVIEW

Revenue

An increase in turnover from approximately RMB816 million for 2019 to approximately RMB881 million for 2020. Although the revenue of mobile telecommunication devices decreased due to the relatively less active market and strong price competition, with benefit of new business – AI and other equipment, the total revenue increased compared with 2019.

	For the year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Mobile telecommunication devices	**773,421**	815,940
AI and other equipment	**107,716**	–
	881,137	815,940

Gross profit (loss) and gross profit margin

	For the year ended 31 December			
	2020		2019	
	RMB'000	***%***	*RMB'000*	*%*
Mobile telecommunication devices	**4,691**	**0.6**	7,681	0.9
AI and other equipment	**(84,259)**	**–**	–	–

The gross profit of mobile telecommunication devices decreased from RMB7,681,000 or 0.9% to RMB4,691,000 or 0.6% was mainly attributable to the adverse price competition.

The loss in AI and other equipment was due to worldwide pandemic, the worsening trading environment and deteriorating trade war between China and the USA which had adversely impacted the market demand in the Group's AI and other equipment trading business and its profitability.

Other income

Other income mainly represented no interest income of the bank deposits for 2020 and RMB4.8 million for 2019. The decrease was mainly due to the matured bank deposits in May 2019 were not renewed.

Taxation

For the year 2020, 北京百納威爾無線通信設備有限公司 (Beijing Benywave Wireless Communication Co., Ltd.*) ("Benywave Wireless") and the Group's subsidiary incorporated in Hong Kong incurred loss, accordingly income tax provision was not required to be made (2019: Nil).

Liquidity and source of funding

As at 31 December 2020, the Group's total cash and bank balances increased by approximately RMB3,162,000 from approximately RMB51,207,000 to approximately RMB54,369,000.

As at 31 December 2020, 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 4.8 compared with 8.3 as at 31 December 2019.

As at 31 December 2020, the Group had bank loans of approximately RMB20,395,000 (2019: approximately RMB20,874,000). On the same date the gearing ratio (calculated based on the bank loans as of the respective dates divided by the net asset as of the respective dates) of the Group was 2.87% as compared with 2.78% as at 31 December 2019.

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 of subsidiaries, associates and joint ventures for the year ended 31 December 2020.

Future plans for material investment or capital assets

Saved as disclosed in this announcement, the Directors confirmed that as at the date of this announcement, there are no current plans to acquire any material investment or capital assets other than in the Group's ordinary business development.

Significant investments

The Company had no significant investment held during the year ended 31 December 2020.

Trade and other receivables

As at 31 December 2020, the carrying amount of trade and other receivables were approximately RMB6,206,000, mainly from more other PRC tax receivables, representing an increase of approximately RMB3,926,000 as compared to the corresponding period in 2019.

Prepayments

As at 31 December 2020, the prepayments were approximately RMB618,769,000 decreased by RMB67,646,000 as compared with 2019.

In 2020, RMB186,806,000 of the prepayments have been transformed into sales transactions, resulting in a loss of RMB84,726,000; and RMB189,194,000 has been refunded to the Group in June 2020.

Inventories

The Group's total inventories increased by RMB21,716,000 from RMB5,384,000 as at 31 December 2019 to RMB27,100,000 as at 31 December 2020 was for AI and other equipment. In determining the write down of inventories, the Company's management considered the subsequent selling price and return price.

Contingent liabilities and commitments

At the end of the year 2020, the Group did not have any significant contingent liabilities and commitments.

Dividends

No dividend was paid, declared or proposed during the year ended 31 December 2020, nor had any dividend been proposed for the year ended 31 December 2020 (2019: Nil).

Continuing connected transactions

Pursuant to the Lease Agreement dated 22 July 2017 which expired on 21 July 2020 made between 北京天宇朗通通信設備股份有限公司 (Beijing Tianyu Communication Equipment Co. Ltd.*) ("Tianyu"), a company controlled by Ms. Rong Xiuli, chairperson and executive director of the Company, and Benywave Wireless, Tianyu has let the premises situated at Zone A, 4th Floor, No. 55, Jiachuang Second Road, Zhongguancun Science Park, OPTO-Merchatronics Industrial Park, Tongzhou District, Beijing, China to Benywave Wireless for carrying on its business. For the year ended 31 December 2020, the lease payment incurred by Benywave Wireless amounted to RMB447,000.

Pursuant to the Lease Agreement dated 22 July 2020 made between 北京榮恒創聯科技有限公司 (Beijing Rongheng Chuanglian Technology Co., Ltd.*) ("Rongheng"), a company controlled by Ms. Rong Xiuli and 北京百納威爾無線通信設備有限公司 (Beijing Benywave Wireless Communication Equipment Co., Ltd.*), Rongheng has let the premises situated at Zone B, 7th Floor, No. 55, Jiachuang Second Road, Zhongguancun Science Park, OPTO-Merchatronics Industrial Park, Tongzhou District, Beijing, China to Benywave Wireless for carrying on its business. For the year ended 31 December 2020, the lease payment incurred by Benywave Wireless amounted to RMB136,000.

Pursuant to an equipment lease agreement dated 22 July 2017 and renewed on 22 July 2020 made between Benywave Technology, a company controlled by Ms. Rong Xiuli and Benywave Wireless, an indirect wholly-owned subsidiary of the Company, Benywave Technology has let certain equipment and facilities to Benywave Wireless for handset testing purpose. For the year ended 31 December 2020, the equipment lease payment incurred by Benywave Wireless amounted to RMB43,000.

As all of the applicable percentage ratios under Rule 14.07 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and the annual consideration of the respective transactions contemplated under each of the Lease Agreement and the Equipment Lease Agreement are less than 5% and are less than HK$3.0 million, respectively, the respective transactions contemplated under each of the Lease Agreement and the Equipment Lease Agreement fall below the de minimis threshold under Rule 14A.76(1)(c) of the Listing Rules and are fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

Related party transaction

Except for the continuing connected transactions disclosed above, for the year ended 31 December 2020, the Group had no related party transaction incurred.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group had approximately 29 employees. The Group provides competitive remuneration packages to employees with the share option scheme. The Group also provides attractive discretionary bonus payable to those with outstanding performance and contribution to the Group.

CHARGES ON ASSETS

As at 31 December 2020, the Group had no charge of assets (2019: Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 (the "Code Provisions") as stated in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "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 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.

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 for the year ended 31 December 2020.

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 2020.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") comprises three independent non-executive directors of the Company. The Audit Committee has adopted terms of reference which are in line with the CG Code. The Audit Committee has reviewed the Company and its subsidiaries' audited results for the year ended 31 December 2020 and agreed with the accounting treatment adopted. The Audit Committee is satisfied with the Company and its subsidiaries' internal control procedure and financial reporting disclosures.

SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group's auditors, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2020. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on this announcement.

PUBLICATION OF FINANCIAL INFORMATION

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.vitalinno.com). The Company's annual report for 2020 containing all the 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, 31 March 2021

As at the date of this announcement, the Board of the Company comprises Ms. Rong Xiuli, Mr. Rong Shengli, Mr. Yin Xuquan and Mr. Wong Ho Chun as executive Directors; and Mr. Han Xiaojing, Mr. Wong Pong Chun James, and Mr. Leung Man Fai as independent non-executive Directors.

* *For identification only*