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 2021

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 2021 together with the comparative figures for the year ended 31 December 2020, 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 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	3	**672,651**	881,137
Cost of sales		**(673,137)**	(960,705)
Gross loss		**(486)**	(79,568)
Other gains, net	4	**1,392**	4,663
Other income	5	**686**	148
Selling and distribution costs		**(5,157)**	(5,547)
Administrative expenses		**(16,471)**	(16,619)
Finance costs		**(531)**	(687)
Loss before tax	6	**(20,567)**	(97,610)
Income tax	7	**–**	–
Loss and total comprehensive expense for the year		**(20,567)**	(97,610)
(Loss) profit and total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(20,505)**	(97,625)
Non-controlling interests		**(62)**	15
		(20,567)	(97,610)
Loss per share	8		
Basic and diluted (RMB cents)		**(2.41)**	(11.48)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Equipment		**38**	69
Finance lease receivable		**–**	85
Right-of-use assets		**3,042**	588
		3,080	742
Current assets			
Inventories		**17,801**	27,100
Trade and other receivables	10	**16,115**	6,206
Prepayments	11	**573,678**	618,769
Finance lease receivable		**–**	109
Pledged bank deposits		**3,234**	3,305
Cash and bank balances		**26,652**	54,369
		637,480	709,858
Current liabilities			
Trade payables	12	**10,698**	29,931
Bank loans		**12,279**	20,395
Accruals and other payables		**52,779**	50,121
Contract liabilities		**16,527**	43,674
Lease liabilities		**1,261**	449
Tax liabilities		**3,531**	3,531
		97,075	148,101
Net current assets		**540,405**	561,757
Total assets less current liabilities		**543,485**	562,499
Non-current liability			
Lease liabilities		**1,833**	280
Net assets		**541,652**	562,219
Capital and reserve			
Share capital		**67,041**	67,041
Share premium and reserves		**474,658**	495,163
Equity attributable to owners of the Company		**541,699**	562,204
Non-controlling interests		**(47)**	15
Total equity		**541,652**	562,219

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 trading of mobile and smart appliances and trading of Artifical Intelligence ("AI") and other equipment in the PRC and Hong Kong.

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

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time, which are mandatorily effective for annual periods beginning on 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to IFRS 16	COVID-19 Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate Benchmark Reform – Phase 2

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

New and amendments to IFRSs in issue 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 the related Amendments[3]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to IAS 8	Definition of Accounting Estimates[3]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRSs	Annual improvements to IFRSs 2018 – 2020 cycle[2]
Amendments to IFRS 3, IAS 16 and IAS 37	Narrow-scope amendments[2]
Accounting Guideline 5 (revised)	Merger Accounting for Common Control Combinations[2]
Amendments to IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9[3]

1 Effective for annual periods beginning on or after 1 April 2021.

2 Effective for annual periods beginning on or after 1 January 2022.

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

4 Effective date to be determined.

The directors of the Company anticipate that the application of all above new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENT INFORMATION

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

	2021	2020
	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 and smart appliances	**651,059**	773,421
AI and other equipments	**21,592**	107,716
	672,651	881,137

Information reported to the board of directors of the Company (the "Board"), being the chief operating decision maker ("CODM"), for the purposes of reserve allocation and assessment of segment performance focuses on types of products sold.

During the years ended 31 December 2021 and 2020, the Group has two reportable and operating 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 (including mobile telecommunication related components and accessories) and smart appliances ("Trading of mobile and smart appliances")

– Trading of AI and other equipments

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 and smart appliances		Trading of AI and others equipments		Total	
	2021	2020	**2021**	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue	**651,059**	773,421	**21,592**	107,716	**672,651**	881,137
Segment (loss) profit	**(3,275)**	668	**(2,368)**	(85,783)	**(5,643)**	(85,115)
Other gains, net					**1,392**	4,663
Other income					**686**	148
Finance costs					**(531)**	(687)
Unallocated corporate expenses					**(16,471)**	(16,619)
Loss before tax					**(20,567)**	(97,610)

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 (loss) profit represents the (loss) profit earned by each segment without allocation of other gains, net, other income, administrative expenses (unallocated) 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 years.

Segment assets and liabilities

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

	2021	2020
	RMB'000	*RMB'000*
Segment assets		
Trading of mobile and smart appliances	**619,321**	328,825
Trading of AI and other equipments	**9,567**	371,311
Unallocated	**11,672**	10,464
Total assets	**640,560**	710,600
Segment liabilities		
Trading of mobile and smart appliances	**24,914**	33,795
Trading of AI and other equipments	**1,666**	36,863
Unallocated	**72,328**	77,723
Total liabilities	**98,908**	148,381

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than certain other receivables, finance lease receivables, pledged bank deposits and certain bank balances and cash as these assets are managed on a group basis; and

- all liabilities are allocated to operating segments other than certain trade payables, certain accruals and other payables, tax liabilities and bank loans.

Other segment information

	Trading of mobile and smart appliances *RMB'000*	Trading of AI and other equipments *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit or loss or segment assets				
Year ended 31 December 2021				
Additions to non-current assets	**3,581**	**–**	**–**	**3,581**
Depreciation of equipment	**29**	**2**	**–**	**31**
Depreciation of right-of-use assets	**819**	**117**	**–**	**936**

	Trading of mobile and smart appliances *RMB'000*	Trading of AI and other equipments *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit or loss or segment assets				
Year ended 31 December 2020				
Additions to non-current assets	–	632	–	632
Depreciation of equipment	29	2	–	31
Depreciation of right-of-use assets	941	535	–	1,476

Geographical information

Information about the Group's revenue from external customers is presented based on the location of the external customers.

	Trading of mobile and smart appliances *RMB'000*	Trading of AI and other equipments *RMB'000*	Total *RMB'000*
Year ended 31 December 2021			
Hong Kong	**636,416**	**–**	**636,416**
The PRC	**14,643**	**21,592**	**36,235**
Other countries	**–**	**–**	**–**
Total	**651,059**	**21,592**	**672,651**

	Trading of mobile and smart appliances *RMB'000*	Trading of AI and other equipments *RMB'000*	Total *RMB'000*
Year ended 31 December 2020			
Hong Kong	773,307	–	773,307
The PRC	114	107,106	107,220
Other countries	–	610	610
Total	773,421	107,716	881,137

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

Information about major customers

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

	2021 *RMB'000*	2020 *RMB'000*
Customer A[1]	**568,112**	702,978

No other single customer contributed 10% or more to the Group's revenue for both years ended 31 December 2021 and 2020.

1. Revenue from trading of mobile and smart appliances segment.

4. OTHER GAINS, NET

	2021 *RMB'000*	2020 *RMB'000*
Foreign exchange gains (losses), net	**1,436**	(2,876)
Reversal of impairment loss on other receivables, pledged bank deposits and bank deposit	**–**	509
Government grants (note)	**–**	588
Gain on write-off of trade payables	**–**	2,992
Gain from sales of scrap materials	**–**	3,947
Gain on derecognition of lease liabilities	**108**	–
Loss on termination of a lease	**(159)**	–
Others	**7**	(497)
	1,392	4,663

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 an amount of approximately RMB561,000 was related to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund.

5. OTHER INCOME

	2021	2020
	RMB'000	*RMB'000*
Interest income on pledged bank deposits	**4**	18
Interest income on finance lease	**3**	3
Interest income on bank balances	**62**	7
	69	28
Services income	**400**	76
Others	**217**	44
	686	148

6. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	2021	2020
	RMB'000	*RMB'000*
Directors' emoluments	**3,453**	3,782
Other staff		
– salaries and other allowances	**7,650**	5,937
– retirement benefits schemes contributions (excluding directors)	**361**	406
Total staff costs	**11,464**	10,125
Auditor's remuneration – audit services	**1,308**	1,850
Depreciation of equipment	**31**	31
Depreciation of right-of-use assets	**936**	1,476
Cost of inventories recognised as an expense	**673,137**	960,705

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 2021 and 2020.

The Company's subsidiaries incorporated in Hong Kong is subject to the Hong Kong Profits Tax at 16.5% (2020: 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 year ended 31 December 2020, a PRC subsidiary, Beijing Benywave Wireless Communication Co., Ltd ("Benywave Wireless") 北京百納威爾無線通訊設備有限公司, 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:

	2021	2020
	RMB'000	*RMB'000*
Loss:		
Loss for the purposes of basic and diluted loss per share, representing loss for the year attributable to the owners of the Company	**(20,505)**	(97,625)

	2021	2020
	'000	*'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 2021 and 2020.

9. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period.

10. TRADE AND OTHER RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**2,500**	–
Less: allowance for impairment losses	**–**	–
	2,500	–
Other receivables		
– Notes receivable *(Note b)*	**5,711**	–
– Refundable deposit for a potential acquisition *(Note a)*	**5,000**	–
– Other PRC tax receivables	**2,057**	5,383
– Others	**875**	851
	13,643	6,234
Less: allowance for impairment losses	**(28)**	(28)
Total trade and other receivables	**16,115**	6,206

The following is an ageing analysis of trade receivables net of impairment allowance presented based on the invoice dates.

	2021	2020
	RMB'000	*RMB'000*
0-30 days	**2,500**	–

As at 31 December 2021, there is no past due balance of trade receivables (2020: Nil).

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.

Note a: On 16 December 2021, the Company entered into a non-legally binding memorandum of understanding ("MOU") with a vendor in relation to a possible acquisition by the Company (or its designated nominee) of a 70% to 90% equity interest in a company incorporated in the PRC from the vendor. On 22 December 2021, the Company paid a sum of RMB5,000,000, being a refundable earnest money to the vendor in accordance with the MOU.

Note b: The balance represented a bank's acceptance bill which had been fully settled subsequent to the reporting period.

11. PREPAYMENTS

	2021	2020
	RMB'000	*RMB'000*
Prepayments to suppliers of:		
– AI and other equipments *(note (a))*	**–**	310,899
– Mobile and smart appliances *(note (b))*	**573,678**	307,870
	573,678	618,769

Notes:

(a) As at 31 December 2021, the Group had no prepayments for purchase of AI and other equipments. As at 31 December 2020, the Group had made prepayments for purchase of AI and other equipments amounted to approximately RMB310,899,000, of which approximately RMB310,879,000 was paid to a surgical masks machine supplier who was independent third party to the Group. The balance was fully refunded during the year 2021.

(b) As at 31 December 2021, the Group had made prepayments to mainly two independent suppliers to purchase mobile and smart appliances for trading business in a total of approximately RMB554,773,000.

Subsequent to the year ended 31 December 2021, approximately RMB355,700,000 of the prepayments for mobile and smart appliances were recognised as purchases upon the receipt of the goods from the supplier and all these ordered goods have been sold to the Group's external customer. The sale proceeds has been settled by cash on 24 March 2022.

On the other hand, due to the impact of Covid-19 pandemic outbreak affecting supply orders and delivery arrangement, the Group and the supplier entered into an agreement for the refund of prepayment amounts of RMB199,073,000 by the supplier. The refund amount of RMB11,000,000 and RMB188,073,000 have been fully refunded to the Group on 18 March 2022 and 30 March 2022 respectively.

12. TRADE PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**10,698**	29,931

The following is an ageing analysis of trade payables based on the invoice dates at the end of the reporting period:

	2021	2020
	RMB'000	*RMB'000*
Within 90 days	**2,196**	8,293
91 to 180 days	**–**	13,121
181 days to 1 year	**–**	–
Over 1 year	**8,502**	8,517
Total	**10,698**	29,931

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.

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

	2021	2020
	RMB'000	*RMB'000*
USD	**2,196**	8,293

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is 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 2021, the main business of the Group was adversely affected by two factors. One is the unfavourable Sino-American relationships in various aspects and the continue outbreak of COVID-19 variants. The international business environment was under tremendous pressure. Worldwide smartphone shipments declined year on year in the fourth quarter of 2021 marking the second straight quarter of negative growth, despite 2021 worldwide smartphone recorded a growth of a 5.7% with 1.35 billion units smartphones shipped (according to the International Data Corporation(IDC)). Smartphone sales rebounded in the first half of 2021, following a 12.5% decline in 2020 because of COVID-19. However, component shortages and supply chain disruptions affected smartphones sales in the second half of 2021. As a result, low stock availability are expected to continue to disrupt global smartphone sales. In addition, the increasing demand of Integrated Circuits ("**IC**") for electric cars manufacturing will affect the production capacity of smartphone, and this is expected to continue as we entered 2022. We expect supply and logistical challenges continue to exist in the first half of 2022, but shipments will return to growth in the second quarter and second half of 2022. There is no question that demand is still strong in many markets, and to some extent we are seeing increasing consumer interest in 5G and new form factors like foldables handsets.

In 2021, China still managed to deliver a stunning positive growth during one of the most challenging times in history. The outbreak of COVID-19 since 2020 continuous by challenging the management in finding the proper position to develop in such VUCA world, a world of Volatility, Uncertainty, Complexity and Ambiguity. The management adopted a defensive strategy to control operating expenses to survive in such tough time while trying to achieve its strategic goal by seeking new opportunities to grow our sales. The repositioning target set by the management has been met. During 2021, the pursuit to strike a balance between optimal business model and organizational structure continued. By constant hard work of the management and staff, the Group successfully maintained the operation in this extreme environment and strove hard to maintain its customer base through innovation and efficiency. The management continued to adjust the margin policy to upkeep sales volume and achieved a sales revenue of approximately RMB651 million, representing 84.2% of the sale on 2020 in such a tough year. The Group also continues to tightly control operating expenses to minimise losses. The absence of the one-time loss from the artificial intelligence("**AI**") equipment trading business, our operating losses has been reduced from approximately RMB97.6 million in 2020 to approximately RMB20.6 million in 2021.

BUSINESS OUTLOOK

We believe, in 2022, the effects of COVID-19 pandemic will gradually ease off and business will be gradually back to normal. However, we will not be overly optimistic since we have witnessed waves after waves of new variations of the COVID-19 spread all over the globe. We need to be prepared and adopt a new model to conduct business in a world which we might never be the same as Pre-pandemic. In addition the current military conflict in Eastern Europe also have a long term adverse effect to the world economy. The prevalence of geopolitical tension in various parts of the world may also affect the worldwide economic and political balance.

All planning has to be able to adopt changing world. The management will capture opportunities during this turbulent to the time with firm belief that China will continue its reform and grow with quality. China, in a very foreseeable future, will become the biggest economy in the world. By successfully fighting the COVID-19 pandemic, we have every confidence in China's future business environment.

The increasing demand for wireless handheld devices across the globe is one of the key factors driving the growth of the market. Smartphones offer enhanced convenience, security, various calling features, and an easy access to the internet. In line with this, the shifting consumer preference toward smart devices that offer easy accessibility, advanced features, web surfing, endless apps, and instant online ordering is favouring the market growth. Moreover, various product innovations, such as the introduction of miniaturized cameras with high-resolution sensors, improved battery life and reliability, loads of new foldable phones and dependable flagships are providing an impetus to the market growth. Additionally, the increasing product demand among consumers to make contactless payments is positively impacting the market growth. Smartphones eliminate the need for card swiping and manual entry and aids in reducing human errors, facilitating a smoother checkout experience. Other factors, such as the growing working population, increasing internet penetration, and the rising expenditure capacities of consumers, are creating a positive outlook for the market. The global smartphones market reached a volume of 1,355 million units in 2021. Looking forward, IMARC Group expects the market to reach 1,715 million units by 2027, exhibiting at a Compound Annual Growth Rate ("**CAGR**") of 3.7% per year during 2022-2027.

The Group remains optimistic for 2022 due to the expectation of ease off of COVID-19 pandemic controls all over the world. An improved consumer outlook, pent up demand from 2022 in large markets, such as China and India. International trade and production activities would resume normal in a large extent. The Group is working with the above trend in mind and believes smartphones manufacturers will seek to form more attractive features, their own and new brand matrix in 2022 to please users especially 5G products and related The Artificial Intelligence of Things ("**AIoT**").

The Group will introduce more Chinese brands smartphones and AIoT including low end products to new customers and focus on the new markets such as Middle Asia, East Asia, South Asia, Middle East and Africa, for sales expansion. The Group believes that it can work well with this strategy as the Group has the infrastructure to support the growth. The sales volume for 2022 is anticipated to be increased significantly.

Thus, by looking at the China market, the management has decided to look for opportunities for the domestic trade in China. And that is the foundation for all the strategies for the Group in the coming years. The business direction will go along with the strategic direction of China. The management will look for opportunities for acquisition of the necessary resources and competitiveness and talents to formulate a business plan targeting the domestic trade in China. Recently we have signed a memorandum of understanding (the "**MOU**") of possible acquisition of a Chinese company who owned a first class, license to distribute a top and famous brand smartphone in the China market and we subject to satisfactory due diligence, anticipate to complete the acquisition in the middle of the year and our total sales volume will be substantially increased accordingly.

The Group also likes to explore for chances to invest in technological advancement projects related to 5G and AI, which is within the expertise and experience of the management team, to enhance the competitiveness and diversification for the Group to bring in financial and commercial values. The management team consists of IT professionals with more than 20 years of experiences and long-term reputation in the China market. This could easily be transformed into the competitive advantages that are long lasting and insight for judgement in different technological advancement projects.

It is expected that the year of 2022 would be an important year for growth of the China market and development of the Group for the bright future.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately RMB208.5 million or 23.7% to approximately RMB672.7 million for the year ended 31 December 2021 from approximately RMB881.1 million for the year ended 31 December 2020. The following table sets forth the breakdown of the Group's revenue by product type: -

	For the year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Mobile and smart appliances	**651,059**	773,421
AI and other equipment	**21,592**	107,716
	672,651	881,137

The revenue of mobile and smart appliances decreased mainly due to the relatively less active market and strong price competition.

Segment (loss) profit and profit margin

	For the year ended 31 December			
	2021		2020	
	RMB'000	*%*	*RMB'000*	*%*
Mobile and smart appliances	**(3,275)**	**–**	668	0.09
AI and other equipment	**(2,368)**	**–**	(85,783)	–

The mobile and smart appliances recognized loss for the year ended 31 December 2021 was mainly attributable to the adverse price competition.

The loss of AI and other equipment was significantly decreased for the year ended 31 December 2021 due to the absence of an one time loss suffered from a sales transaction during the initial outbreak of worldwide COVID-19 pandemic in 2020.

Other income

Other income mainly represented interest income on bank balance and other services income. The Group's other income increased from RMB148,000 for the year ended 31 December 2020 to RMB686,000 for the year ended 31 December 2021. The increase was mainly due to the consultancy services income.

Taxation

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 year ended 31 December 2021 and 2020.

Trade and other receivables

As at 31 December 2021, the carrying amount of trade and other receivables were approximately RMB16,115,000, mainly comprise of notes receivable and a refundable deposit for a potential acquisition, representing an increase of approximately RMB9,909,000 as compared to the corresponding period in 2020.

Prepayments

As at 31 December 2021, the prepayments were approximately RMB573,678,000 which was decreased by RMB45,091,000 as compared with 2020. All prepayments are related to mobile and smart appliances.

Inventories

The Group's total inventories decreased by RMB9,299,000 from RMB27,100,000 as at 31 December 2020 to RMB17,801,000 as at 31 December 2021 due to the absence of AI and other equipment (i.e. surgical mask equipment). In determining the write down of inventories, the Company's management considered the subsequent selling price and return price.

Trade payable

The Group's trade payable decreased by RMB19,233,000 from RMB29,931,000 as at 31 December 2020 to RMB10,698,000 as at 31 December 2021 due to less purchases of AI and other equipment.

Bank loans

The Group's bank loan decreased by RMB8,116,000 from RMB20,395,000 as at 31 December 2020 to RMB12,279,000 as at 31 December 2021 due to less invoice financing for mobile and smart appliances.

Contract liabilities

The Group's contract liabilities decreased by RMB27,147,000 from RMB43,674,000 as at 31 December 2020 to RMB16,527,000 as at 31 December 2021 due to less prepayment from customers for purchases of mobile and smart appliances.

Liquidity and source of funding

As at 31 December 2021, the Group's total cash and bank balances decreased by approximately RMB27,717,000 from approximately RMB54,369,000 to approximately RMB26,652,000.

As at 31 December 2021, the Group had unutilised bank facilities related to bank loans of RMB6.85 million. These credit facilities could be drawn down by the Group to finance its operation. Based on the working experience and the communication with the bank, the Board believes that the Group has the ability to renew or secure banking facilities upon maturity.

As at 31 December 2021, 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 6.6 compared with 4.8 as at 31 December 2020.

As at 31 December 2021, the Group had bank loans of approximately RMB12,279,000 (2020: approximately RMB20,395,000). 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 2.27% as compared with 3.63% as at 31 December 2020.

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.

Future plans for material investment or capital assets

With reference to the announcements of the Company dated 16 December 2021 and 16 March 2022, the Company, as potential purchaser, entered into the MOU with a potential vendor in relation to a possible acquisition of equity interest in a target company. The target company is a company incorporated in the PRC with limited liability and is principally engaged in mobile phones trading business. The target company is also a top international smart phones brand's authorised distributor in the PRC.

The Group is principally engaged in the development, design, production management and sales of mobile, sales of mobile related components and accessories and provision of technical knowhow and other add-on service related to mobile. In order to expand the market share of its existing business, the Group has been exploring viable investment opportunities from time to time. The Directors consider that it is in the interests of the Company and its shareholders as a whole to enter into the MOU as the possible acquisition can broaden the Group's source of revenue to ensure sustainable growth.

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.

Material acquisitions and disposals

Saved as disclosed in this announcement, the Group has no material acquisitions and disposals of subsidiaries, associates and joint ventures for the year ended 31 December 2021.

Significant investments

Saved as disclosed in this announcement, the Company had no significant investment held during the year ended 31 December 2021.

Contingent liabilities and commitments

At the end of the year 2021, 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 2021, nor had any dividend been proposed for the year ended 31 December 2021 (2020: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group had approximately 30 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 2021, the Group had no charge of assets (2020: 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 2021.

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 2021.

MAJOR LITIGATION AND ARBITRATION PROCEEDINGS

The Group had no major litigation or arbitration during the year ended 31 December 2021.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this announcement, the Company has maintained sufficient public float as required under the Listing Rules.

SUBSEQUENT EVENTS

No material events were undertaken by the Group subsequent to 31 December 2021 and up to this announcement.

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 2021 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 CONFUCIUS INTERNATIONAL 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 2021 as set out in this announcement have been agreed by the Group's auditors, Confucius International CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2021. The work performed by Confucius International 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 Confucius International 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 2021 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 Innovations Holdings Limited
Rong Xiuli
Chairperson

Hong Kong, 31 March 2022

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.