Vobile®

Vobile Group Limited
阜博集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 3738

2017

ANNUAL REPORT

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Yangbin Bernard WANG
(Chairman and Chief Executive Officer)
Mr. Michael Paul WITTE
Mr. Xianming ZHU

NON-EXECUTIVE DIRECTORS

Mr. Vernon Edward ALTMAN
Mr. J David WARGO
Mr. WONG Wai Kwan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN King Man Kevin
Mr. James Alan CHIDDIX
Mr. Charles Eric EESLEY

COMPANY SECRETARY

Mr. HO Sai Hong Vincent

AUDIT COMMITTEE

Mr. CHAN King Man Kevin *(Chairperson)*
Mr. James Alan CHIDDIX
Mr. Charles Eric EESLEY
Mr. J David WARGO
Mr. WONG Wai Kwan

REMUNERATION COMMITTEE

Mr. James Alan CHIDDIX *(Chairperson)*
Mr. Vernon Edward ALTMAN
Mr. CHAN King Man Kevin
Mr. Charles Eric EESLEY
Mr. Yangbin Bernard WANG

NOMINATION COMMITTEE

Mr. Yangbin Bernard WANG *(Chairperson)*
Mr. Vernon Edward ALTMAN
Mr. CHAN King Man Kevin
Mr. James Alan CHIDDIX
Mr. Charles Eric EESLEY

REGISTERED OFFICE

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AUTHORIZED REPRESENTATIVES

Mr. HO Sai Hong Vincent
Mr. WONG Wai Kwan

CORPORATE INFORMATION

AUDITOR

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LEGAL ADVISER

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PRINCIPAL BANKERS

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The Hongkong and Shanghai Banking
Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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COMPANY WEBSITE

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COMPLIANCE ADVISER

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STOCK CODE

3738

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (each a "Director") (the "Board"), I am pleased to present the first annual report of Vobile Group Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended December 31, 2017 since the successful listing of the shares of the Company ("Shares") on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") ("Listing") on January 4, 2018 ("Listing Date").

The Listing has marked the beginning of a new era for the Group. The Listing has strengthened our financial position and raised additional capital for our future development. In addition, it allowed the Group to reinforce its internal control function and further promote the Group as a well-organized establishment to the general public.

BUSINESS HIGHLIGHTS

The Group recorded total revenue of approximately US$15.7 million for 2017, representing a decrease of approximately 6.7% or US$1.1 million as compared to 2016. The decrease was mainly due to the continued decrease of the conventional pay per transaction ("PPT") business from US$5.0 million in 2016 to US$2.0 million in 2017 which resulted from the change in consumers' consumption patterns from renting movies from video stores to renting movies online. The revenue from businesses other than conventional PPT business increased from US$11.8 million in 2016 to US$13.7 million in 2017.

Loss attributable to owners of the Company for 2017 is approximately US$2.5 million as compared to the net profit of approximately US$2.8 million in 2016. The loss in 2017 was primarily due to listing expense, net of tax of US$4.5 million and one-off charge of deferred tax asset expense of US$1.1 million in 2017. Adjusted net profit (excluding listing expenses, net of tax and one-off deferred tax expenses) for 2017 is approximately US$3.1 million as compared to the profit (excluding listing expenses, net of tax and one-off deferred tax expenses) of US$3.4 million for 2016.

On December 22, 2017, the United States (the "US") tax reform legislation, the Tax Cuts and Jobs Act (the "TCJA") was signed into law and enacted with most of the changes introduced by the bill coming into effect on January 1, 2018. Due to the decrease in the statutory tax rate in the US, we made a one-off deferred tax expenses of US$1.1 million in 2017. Although there was a one-off deferred tax expenses incurred in 2017, we believe that such reduction in statutory rate of the US corporate income tax will positively impact our future earnings in the long term.

Basic and diluted loss per share for 2017 is approximately US0.76 cent (2016: earnings of approximately US1.11 cents). Basic adjusted earnings per share for 2017 (excluding listing expenses, net of tax and one-off deferred tax expenses) for 2017 is approximately US0.92 cent (2016: approximately US1.34 cents) and diluted adjusted earnings per share for 2017 (excluding listing expenses, net of tax and one-off deferred tax expenses) is approximately US0.90 cent (2016: approximately US1.34 cents). The Board does not recommend any payment of dividends for 2017 (2016: nil).

CHAIRMAN'S STATEMENT

PROSPECTS

Going forward, we intend to further solidify our position as a leading software platform provider to film studios, TV networks and other content owners to reduce their potential revenue losses induced by online piracy and increase revenues throughout the video distribution chain, especially by exploring new revenue opportunities via mobile Internet distribution. We intend to maintain our leading market position in content protection by investing in the development of new capabilities based on our core VDNA technology to offer comprehensive content protection solutions that cover new threat in emerging dynamics of online piracy. We intend to increase customer adoption of our content protection solutions. Meanwhile, we aim to grow our online PPT business by obtaining the claiming and licensing rights from more content owners and expanding our distribution network to additional online video sites. We believe we have built a strong market presence and brand reputation in North America. We intend to strategically pursue expansion opportunities in China and Europe where there are significant investments in original content production and high demand in content consumption. Furthermore, we intend to pursue business expansion via strategic alliances and acquisitions.

APPRECIATION

On behalf of the Board, I would like to thank our entire global team of the Group for their dedication and contribution in the past year. I would also like to thank our shareholders, customers and business partners for their trust and confidence in our Group. The Group will strive to continue the development of our business and maximize returns to our shareholders.

Yangbin Bernard WANG
Chairman, Executive Director and Chief Executive Officer
Vobile Group Limited
March 28, 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND PROSPECT

In 2017, we adhered to our development strategies to continue to strengthen our global leadership position in online video content protection and become a leading content monetization platform to facilitate online video distribution using a revenue-sharing model. Our customers include some of the world's largest film studios, including the top seven global film studios, and many other film studios, TV networks and other content owners. Through our proprietary software platforms, we help our content owner customers protect their content from unauthorized use and monetize their content by enabling revenue-sharing for, or in connection with, the distribution of their video content. In addition, we offer content measurement platforms to help our content owner customers measure the viewership of their content. Our business model can be categorized into two parts.

- Subscription-based software as a service ("SaaS") business — consisting primarily of content protection platforms (including VideoTracker and MediaWise) as well as content measurement platforms; and

- Transaction-based SaaS business — consisting of content monetization platforms to enable revenue-sharing for conventional home video distribution through our conventional PPT platform and online video distribution through our online PPT platforms (including advertising video-on-demand ("AVOD") PPT platform, or "ReClaim", and our newly developed product, transactional video-on-demand ("TVOD") PPT platform).

Subscription-based SaaS Business

Our subscription-based SaaS business consists primarily of content protection platforms and content measurement platforms.

Content protection platforms

Our content protection platforms consist primarily of VideoTracker and MediaWise. We are committed to investing in the development of new capabilities based on our VDNA technology to offer comprehensive content protection solutions covering almost all existing and emerging methods to redistribute potentially infringing content, and increase customer adoption of our content protection solutions. Content infringers are constantly evolving their techniques to avoid detection by services such as ours. They do so by both manipulating content and by adopting alternative distribution methods. We intend to continue to invest in our VDNA algorithm and video search and discovery capability to offer comprehensive content protection solutions.

We intend to acquire new customers and utilize the economies of scale to increase our revenue and profit generating abilities for our content protection service. We also intend to expand the use of our services by our existing customers. For example, we believe there is an opportunity for our current customers to elect to have us protect more content than they currently do, or to have us search for potentially infringing content on additional content-sharing platforms.

Content measurement platforms

Our content measurement platforms consist primarily of TV Ad Tracking and Analysis and mSync. Advertisers are increasingly focused on integrating their products directly into video content in order to capture the attention of their target audience and utilize data-driven approach to measure the effectiveness of their marketing spending. We intend to increase the customer base for our TV Ad Tracking and Analytics platform. We also intend to offer data analytics products for content owners and other stakeholders in the media entertainment industry through continuing development of computer vision, machine learning, and data mining technology capabilities.

Transaction-based SaaS Business

Our transaction-based SaaS business consists primarily of content monetization platforms to enable revenue-sharing for conventional home video distribution through our conventional PPT platform and online video distribution through our online PPT platforms (including AVOD PPT platform, or "ReClaim", and TVOD PPT platform).

Online PPT platforms

Our first online PPT platform, AVOD PPT platform, facilitates video distribution to online video sites that provide content to consumers for free but generate revenue utilizing on an advertising-based model. We intend to grow our AVOD PPT platform and business by acquiring claiming rights from content owners, and expanding our claiming service to cover additional online video sites. With our continuous effort of expanding and improving our AVOD PPT platform, revenue from AVOD PPT platform increased from US$1.3 million for 2016 to US$3.8 million.

In 2017, we introduced a second online PPT platform, our TVOD PPT platform, which facilitates online video distribution using a revenue-sharing model to online video sites using a rental or sell-through model. We intend to grow our TVOD PPT platform and business by obtaining licensing rights to large amounts of high-quality video content from content owners, further enhancing our platform with advanced and sufficient measurement and auditing capabilities, and developing a network of online video sites to offer our licensed video content to end user consumers. In the second half of 2017, we have signed distribution agreements with seven content owner customers in the US and four online video sites in the People's Republic of China ("PRC") for the TVOD PPT platform.

Industry Outlook and the Group's Strategies

With continuous development and introduction of quality video entertainment products, we believe the global video entertainment market size in terms of revenue will grow from approximately US$551 billion in 2017 to approximately US$633 billion in 2021. The advancement of video distribution technology and content digitization acts as a powerful force driving the development of the online video entertainment market, providing people with easier access and more flexible pricing models. We further believe, the global online video entertainment market will grow from US$45 billion in 2017 to US$87 billion in 2021 at a CAGR of approximately 18%. In comparison, we expect the online video entertainment market in China will achieve a higher CAGR of approximately 28% between 2017 and 2021 compared to approximately 14% CAGR in the US during the same period.

MANAGEMENT DISCUSSION AND ANALYSIS

The risks of piracy and copyright violation remain pervasive in the online video sector and online video content protection service providers help the protection of video content that can help facilitate critical business functions, including content identification, copyright protection and data intelligence. Online video sites usually need to spend large upfront guarantee fees to purchase copyright of content based on heavy negotiation. Online video revenue-sharing model enables online video sites to acquire large number of videos from content owners without significant upfront guarantee, but instead share a portion of their revenue generated from advertisement (AVOD) and/or consumer spending (TVOD). Due to the cost-saving advantage, the online video revenue-sharing model has achieved rapid expansion. In addition, video measurement is applied in TV and online video measurement to measure video advertising performance and audience information, and is attracting more and more attention as it is essential to the growth of the online video ecosystem.

We intend to leverage such favorable industry prospects by pursuing the following strategies:

- Continue to strengthen our leading market position in content protection
- Grow our online PPT and content measurement platforms
- Strategically pursue expansion opportunities in China and Europe
- Pursue business expansion via strategic alliances and acquisitions

FINANCIAL REVIEW

Consolidated Statement of Profit or Loss and Other Comprehensive Income Highlights

	2017 **US$'000**	2016 US$'000
Revenue	**15,666**	16,794
Gross profit	**12,446**	13,276
(Loss)/profit before tax	**(782)**	3,974
(Loss)/profit for the year attributable to owners of the Company	**(2,546)**	2,838

The following table reconciles our adjusted net profit for the year presented to the most directly comparable financial measure calculated and presented in accordance with International Financial Reporting Standards ("IFRS"). Adjusted net profit is not required by, or presented in accordance with, IFRS.

	2017 **US$'000**	2016 US$'000
(Loss)/profit for the year attributable to owners of the Company	**(2,546)**	2,838
Add: Listing expenses, net of tax	**4,497**	596
Add: One-off deferred tax expenses	**1,130**	—
Adjusted net profit	**3,081**	3,434

MANAGEMENT DISCUSSION AND ANALYSIS

Consolidated Statement of Financial Position Highlights

	2017 **US$'000**	2016 US$'000
Total assets	**24,593**	25,083
Total liabilities	**5,157**	3,321
Net assets	**19,436**	21,762
Total equity	**19,436**	21,762

Revenue

The following table shows our revenue breakdown by each product in our subscription-based SaaS business and transaction-based SaaS business:

	2017 **US$'000**	2016 US$'000
Subscription-based SaaS business		
Content Protection	**9,350**	10,033
Content Measurement	**474**	408
Subtotal	**9,824**	10,441
Transaction-based SaaS business		
— Conventional PPT	**1,994**	5,010
— Online PPT	**3,848**	1,343
Subtotal	**5,842**	6,353
Total	**15,666**	16,794
Businesses other than conventional PPT business	**13,672**	11,784
Conventional PPT business	**1,994**	5,010
Total	**15,666**	16,794

Our revenue in 2017 amounted to US$15.7 million, representing a decrease of 6.7% or US$1.1 million as compared to 2016. Such decrease was mainly attributable to the decrease in revenue from our conventional PPT business from US$5.0 million in 2016 to US$2.0 million in 2017 which resulted from the change in consumers' consumption patterns from renting movies from video stores to renting movies online. On the other hand, the revenue from businesses other than conventional PPT business increased from US$11.8 million in 2016 to US$13.7 million in 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

Our gross profit in 2017 amounted to US$12.4 million, representing a slight decrease of 6.3% or US$0.8 million as compared to 2016. This was mainly attributed to the decrease in gross profit from our conventional PPT business from US$3.2 million in 2016 to US$1.0 million in 2017 which resulted from the change in consumers' consumption patterns from renting movies from video stores to renting movies online. On the other hand, the gross profit from businesses other than conventional PPT business increased from US$10.1 million in 2016 to US$11.5 million in 2017.

Our gross profit margin remained stable at 79.4% in 2017 as compared to 79.1% in 2016.

Selling and Marketing Expenses

Our selling and marketing expenses in 2017 amounted to US$4.5 million, representing a decrease of 11.9% or US$0.6 million as compared to 2016. The decrease was mainly due to a decrease in marketing activities performed in 2017.

Administrative Expenses

Our administrative expenses in 2017 amounted to US$7.0 million, representing an increase of 140.8% or US$4.1 million as compared to 2016. The increase was mainly due to incurrence of listing expenses of US$4.5 million.

Research and Development Expenses

Our research and development expenses increased from US$1.3 million in 2016 to US$1.6 million in 2017, representing an increase of 29.9%, which was primarily due to the research and development expenses spent for our online PPT platforms.

Income Tax Expense

On December 22, 2017, the US tax reform legislation and the TCJA was signed into law and enacted with most of the changes introduced by the bill coming into effect on January 1, 2018. Due to the decrease in the statutory tax rate in the US, we made a one-off deferred tax expenses of US$1.1 million in 2017. Although there was a one-off deferred tax expenses incurred in 2017, we believe that such reduction in statutory rate of the US corporate income tax will positively impact our future earnings in the long term.

Our income tax expenses comprised of deferred tax expense resulted from the utilization of tax losses in the US of US$0.6 million and one-off deferred tax expenses of US$1.1 million due to the tax reform in the US.

(Loss)/Profit for the Year Attributable to Owners of the Company

The loss attributable to owners of the Company for 2017 was US$2.5 million (2016: profit of US$2.8 million). For 2017, the Group recorded listing expenses, net of tax, of US$4.5 million, and the one-off deferred tax expenses of US$1.1 million. Excluding the listing expenses and one-off deferred tax expenses, our adjusted net profit was US$3.1 million for 2017 (2016: US$3.4 million).

Basic and diluted loss per share for 2017 is approximately US0.76 cent (2016: earnings of approximately US1.11 cents). Basic adjusted earnings per share for 2017 (excluding listing expenses, net of tax and one-off deferred tax expenses) for 2017 is approximately US0.92 cent (2016: approximately US1.34 cents) and diluted adjusted earnings per share for 2017 (excluding listing expenses, net of tax and one-off deferred tax expenses) is approximately US0.90 cent (2016: approximately US1.34 cents).

Dividend

The Board does not recommend any payment of dividends for 2017 (2016: nil).

LIQUIDITY AND FINANCIAL RESOURCES

Working Capital

As at December 31, 2017, our cash and cash equivalents amounted to US$6.0 million, decreased by 15.5% or US$1.1 million as compared to December 31, 2016. The decrease was primarily due to the payment of listing expenses in 2017. As at December 31, 2017, our current assets amounted to US$14.4 million, including US$6.0 million of cash and cash equivalents and other current assets of US$8.4 million. Our current liabilities amounted to US$5.2 million, of which US$1.7 million was trade payables. As at December 31, 2017, our current ratio, which is equivalent to the current assets divided by the current liabilities, was 2.8 as compared to 3.9 as at December 31, 2016.

Significant Investments, Acquisitions and Disposal

We did not make any significant investments during 2017.

We did not have any material acquisition or disposal during 2017, except those in connection with the Group's reorganization in preparation for the listing as disclosed in the prospectus.

Capital Expenditures

Our capital expenditure primarily include expenditure for purchase of property, plant and equipment. The amount of our capital expenditures in 2017 was US$19,000.

Indebtedness, Contingent Liabilities, Off Balance Sheet Commitments and Arrangements and Pledge of Assets

As at December 31, 2017 and the date of this report, we did not have (i) any outstanding bank borrowings, (ii) any material contingent liabilities or guarantees, (iii) any liabilities under acceptance trade receivables or acceptable credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantee material covenants, or other material contractual obligation, (iv) any material off-balance sheet arrangements, or (v) any unutilized banking facilities. We did not enter into any bank loan facilities as at December 31, 2017.

Use of Proceeds from IPO

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited on January 4, 2018. The net proceeds received from the global offering will be used in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company. Since the listing of the Company and up to the date of this report, the proceeds from the listing were not applied for any use.

Foreign Exchange Exposure

Our transactions are mainly settled in United States dollars ("US$") and therefore have minimal exposure to foreign exchange risk. We have not used any derivative financial instrument to hedge against our exposure to foreign exchange risk but will monitor such risk closely on an ongoing basis.

Financial Instruments

Our major financial instruments include trade receivables, other receivables excluding prepayments, amounts due from related parties, cash and cash equivalents, borrowings, trade payables, other payables excluding non-financial liabilities, amounts due to related parties, convertible preferred shares and other non-current liabilities.

Our management manages such exposure to ensure appropriate measures are implemented on a timely and effective manner.

Gearing Ratio

As of December 31, 2017, we did not have any bank borrowings. Thus gearing ratio was not applicable to our Group.

EVENT AFTER THE REPORTING PERIOD

Details of significant event of the Group after the financial year are set out in note 29 of the financial statements.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Yangbin Bernard WANG ("Mr. Wang"), aged 49, is an executive Director, the chairman of our Board and our chief executive officer. He was appointed as a Director on July 28, 2016 and re-designated as an executive Director and appointed as the chairman of our Board on June 21, 2017. He is also the chairman of our nomination committee and a member of our remuneration committee. Being the founder of our Group, Mr. Wang joined our Group as the chief executive officer on May 20, 2005 when our first subsidiary Vobile US was established. He has been leading our Group for over 12 years, and has been responsible for corporate vision, product strategy, business development and operations of our Group since its founding. Mr. Wang obtained a Master of Science in Electrical Engineering from the University of Florida, Gainesville, United States in August 1993. He graduated with a Bachelor 's degree in Engineering from Zhejiang University in Hangzhou, Zhejiang Province, the PRC in July 1991.

Mr. Michael Paul WITTE ("Mr. Witte"), alias Mike Witte, aged 59, is an executive Director and was appointed on June 21, 2017. He joined our Group on January 14, 2008 as our Executive Vice President of Business Development and Sales and is responsible for overseeing all sales and customer success of our content protection products in the US and other related business development activities, including sourcing new clients and managing and growing our existing client relationships, performing after-sales services and providing ongoing support to our customers, and manages our sales team in Silicon Valley. Mr. Witte has over ten years of experience in the SaaS business since joining our Group. Mr. Witte obtained a Bachelor of Arts majoring in English from the University of California in Santa Barbara, California, US in March 1982.

Mr. Xianming ZHU ("Mr. Zhu"), alias Simon Zhu, aged 35, is an executive Director and was appointed on June 21, 2017. He joined our Group on July 1, 2014 as our Vice President of New Products and became our Senior Vice President of Product Management on May 1, 2017 and is responsible for overseeing overall product management and development.

Prior to joining our Group, Mr. Zhu had around 10 years of experience in the product development and research industries. From June 2013 to August 2013, Mr. Zhu served as a Product Manager Intern at Turn Inc., and was responsible for product management. From December 2008 to June 2014, Mr. Zhu served as a Research Scientist in the Corning Science & Technology organization at Corning Incorporated. From February 2008 to November 2008, Mr. Zhu served as an Optics Scientist at Corning S.A.S. From December 2006 to December 2007, Mr. Zhu was a Research Associate in the Department of Electrical and Computer Engineering at McMaster University. From September to November 2006, Mr. Zhu was a research assistant at McMaster University.

Mr. Zhu obtained a Master of Business Administration from Stanford University in California, United States in June 2014. He also obtained a Master of Applied Science from McMaster University in Hamilton, Ontario, Canada in November 2006. He graduated with a Bachelor of Science, with a specialty in Electronic and Information Science and Technology in the Department of Electronics Engineering and Computer Science from Peking University in Beijing, the PRC in June 2004.

DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. Vernon Edward ALTMAN ("Mr. Altman"), aged 72, was appointed as a Director on January 1, 2017 and re-designated as a non-executive Director on June 21, 2017. He is also a member of our remuneration committee and a member of our nomination committee. Mr. Altman has over 40 years of experience in providing consulting and advisory services. Mr. Altman joined Bain & Company, Inc. in June 1973 at its founding, and is currently its Advisory Partner. Mr. Altman has been a director of Abaxis, Inc. (NASDAQ: ABAX) since April 2011 and its lead independent director since April 2014. Mr. Altman was a director of VideoMobile from February 2007 to January 2017, and was also chairman of its board of directors from October 2008 to January 2017, where he acquired experience in the SaaS business through his capacity as a director. Mr. Altman graduated with a Master of Science in Management, a Master of Science in Electrical Engineering and a Bachelor of Science in Electrical Engineering from the Massachusetts Institute of Technology in Cambridge, Massachusetts, United States in June 1973.

Mr. J David WARGO ("Mr. Wargo"), aged 64, was appointed as a Director on January 1, 2017 and re-designated as a non-executive Director on June 21, 2017. He is also a member of our audit committee. In 1993, Mr. Wargo founded Wargo & Company, Inc., where he currently serves as President. From April 2014 to January 2017, Mr. Wargo was a director and the chairman of the audit committee of VideoMobile, where he acquired experience in the SaaS business through his capacity as a director. Mr. Wargo has over 15 years of experience in the telecommunications, media, and technology industries. Since March 2015, Mr. Wargo has been a director of Liberty Broadband Corporation (NASDAQ: LBRDA). Since August 2014, Mr. Wargo has been a director of Liberty TripAdvisor Holdings, Inc. (NASDAQ: LTRPA). Since September 2008, he has been a director of Discovery Communications, Inc. (NASDAQ: DISCA). Since June 2005, Mr. Wargo has been a director of Liberty Global plc (NASDAQ: LBTYK). From May 2005 to September 2008, he served as a director of Discovery Holding Company. From August 2002 to June 2007, Mr. Wargo served as a director of OpenTV Corp. Since 2001, he has been a director of Strayer Education, Inc. (NASDAQ: STRA). Mr. Wargo graduated with a Master in Management majoring in management from the Massachusetts Institute of Technology, Cambridge, Massachusetts, United States in 1978, and a Master in Engineering majoring in nuclear engineering in 1976. He has also obtained a Bachelor of Science majoring in Physics from the Massachusetts Institute of Technology in Cambridge, Massachusetts, United States in 1976.

DIRECTORS AND SENIOR MANAGEMENT

Mr. WONG Wai Kwan ("Mr. Wong"), aged 50, is a non-executive Director and was appointed on June 21, 2017. He is also a member of our audit committee. Since August 2016, Mr. Wong has been the chief financial officer of ThinkTank Learning Holding Company. From July 2016 to June 2017, Mr. Wong was a consultant of VideoMobile. From December 2011 to June 2016, Mr. Wong served as the General Manager of the Financial Audit Department and the Managing Director of the Internal Audit Department of Shanghai Fosun High Technology (Group) Co., Ltd., a wholly-owned subsidiary of Fosun International Limited (Stock Code: 00656). From January 1997 to March 2000, Mr. Wong served in Ernst & Young's Shanghai office as Manager in its Assurance Department. From August 1992 to December 1996, Mr. Wong was employed by Ernst & Young's Hong Kong office and his last position was Senior Accountant in its Assurance Department. Mr. Wong has over 25 years of experience in finance, accounting, and financial management. Since May 2017, Mr. Wong has been an independent non-executive director of Starlight Culture Entertainment Group Limited (formerly known as Jimei International Entertainment Group Limited) (Stock Code: 01159). Since July 2015, Mr. Wong has been an independent non-executive director of Vision Fame International Holding Limited (Stock Code: 01315). From September 2013 to November 2014, he was an independent non-executive director of Karce International Holdings Company Limited (which changed its name to Sinogreen Energy International Group Limited in December 2013 and to Jimei International Entertainment Group Limited in December 2014 and is now known as Starlight Culture Entertainment Group Limited since August 2017) (Stock Code: 01159). From June 2010 to October 2013, he was an independent non-executive director of Shougang Concord Technology Holdings Limited (now known as HNA Holding Group Co. Limited) (Stock Code: 00521). Mr. Wong became a fellow member of Certified Practising Accountants (Australia) in June 2010. He has been a member of the Hong Kong Society of Accountants (now known as the Hong Kong Institute of Certified Public Accountants) since January 1997. Mr. Wong has been a member of the Association of Chartered Certified Accountants since January 1996. Mr. Wong graduated with a Master of Business Administration from Washington University in St. Louis, Missouri, United States in December 2009. He obtained a Bachelor of Arts with Honours in Accountancy from the City University of Hong Kong in Hong Kong in November 1992.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN King Man Kevin ("Mr. Chan"), aged 38, is an independent non-executive Director and was appointed on December 8, 2017. He is also the chairman of our audit committee, a member of our remuneration committee and a member of our nomination committee. Since April 2008, Mr. Chan has worked for Grant Thornton China, where he currently serves as partner and where he is a member of the Grant Thornton China Advisory Steering Committee and is also responsible for leading a transaction advisory team. From July 2007 to April 2008, Mr. Chan was a Manager in the Corporate Finance (Transaction Services) department at Grant Thornton Services LLP. Mr. Chan obtained a Bachelor of Science in Economics and Accounting with a Language from the University of Bristol in the United Kingdom in June 2001. Mr. Chan has been a member of the Institute of Chartered Accountants of Scotland since December 2005. He has been a China Chapter Board member with the Association for Corporate Growth since January 2016.

DIRECTORS AND SENIOR MANAGEMENT

Mr. James Alan CHIDDIX ("Mr. Chiddix"), aged 72, is an independent non-executive Director and was appointed on December 8, 2017. He is also the chairman of our remuneration committee, a member of our audit committee and a member of our nomination committee. Mr. Chiddix has over 12 years of experience in the telecommunications, media, and technology industries through various positions and offices held. Since 2009, Mr. Chiddix has been a director of ARRIS International plc (NASDAQ: ARRS). From July 2008 to May 2013, Mr. Chiddix was an independent director of Virgin Media Inc., a provider of broadband internet, television, mobile telephony, and fixed line telephony services that offer a variety of entertainment and communications services to residential and commercial customers throughout the United Kingdom. From November 2007 to November 2011, Mr. Chiddix was also a director of Dycom Industries, Inc. (NYSE: DY). From February 2009 to May 2010, Mr. Chiddix was a non-executive director of Shougang Concord Technology Holdings Limited (now known as HNA Holding Group Co. Limited) (Stock Code: 00521). From April 2007 to November 2013, Mr. Chiddix was a director of Symmetricom, Inc. From March 2004 to November 2009, Mr. Chiddix was a director of OpenTV Corp, a provider of advanced digital television solutions dedicated to creating and delivering viewing experiences to customers of digital content worldwide, during which time he also served as its executive chairman and chief executive officer from May 2004 to March 2007, and as its vice chairman from May 2007 to November 2009.

Mr. Charles Eric EESLEY ("Mr. Eesley"), aged 38, is an independent non-executive Director and was appointed on December 8, 2017. He is also a member of our audit committee, a member of our remuneration committee and a member of our nomination committee. Mr. Eesley has around eight years of experience in education and research focusing on technology and entrepreneurship. Since 2009, Mr. Eesley has worked at Stanford University, and is currently an Associate Professor in the Department of Management Science and Engineering and is David T. Morgenthaler Faculty Fellow in the Stanford Technology Ventures Program. As part of the Stanford Technology Ventures Program, he conducts research on technology entrepreneurship, specifically the impact of institutions and university environment on high growth technology entrepreneurship. In September 2015, he was selected as a Schulze Distinguished Professor under the Schulze Distinguished Professorship Program by the Richard M. Schulze Family Foundation. Mr. Eesley obtained a Doctor of Philosophy in Management from the Massachusetts Institute of Technology in Cambridge, Massachusetts, United States in June 2009 and a Bachelor of Science from Duke University in Durham, North Carolina, United States in May 2002.

SENIOR MANAGEMENT

Mr. Timothy John ERWIN ("Mr. Erwin"), alias Tim Erwin, aged 49, is our Senior Vice President of Sales and Customer Relations. He joined our Group on February 1, 2015 as Senior Vice President of Sales and Customer Relations and is responsible for overseeing sales, operations and business development activities of our PPT business. Mr. Erwin has over 20 years of experience in sales and operations for media measurement for the entertainment and media industries. From July 1991 to February 2015, he worked at Rentrak, where his last position was Senior Vice President of Sales and Customer Relations.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Benjamin Russell SMITH ("Mr. Smith"), alias Ben Smith, aged 42, is our Senior Vice President of Business Development. He joined our Group on February 1, 2014 as Senior Vice President of Business Development and is responsible for overseeing our ReClaim product sales and other related business development activities. From April 2012 to January 2014, Mr. Smith was the chief executive officer at Blayze. From September 2003 to October 2009 he served as Strategic Partner Development Senior Associate at Google Inc., where he acquired experience in business development. Mr. Smith graduated with a Bachelor of Arts, majoring in Political Science and minoring in Legal Studies from Beloit College in Beloit, Wisconsin, United States in December 1997.

Mr. HO Sai Hong Vincent ("Mr. Ho"), aged 32, is our Financial Controller and joined our Group on November 26, 2016. He is responsible for overseeing overall accounting and financial reporting functions. He has also been the secretary of our Company since January 1, 2017. Mr. Ho has over eight years of experience in the auditing and accounting fields. From September 2008 to September 2015, Mr. Ho worked at the Assurance Department of Ernst & Young where he last served as Manager. Mr. Ho has been a member of the Hong Kong Institute of Certified Public Accountants since February 2012. He graduated with a Bachelor of Business Administration in Economics and Accounting from the Hong Kong University of Science and Technology in Hong Kong in May 2008.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended December 31, 2017.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company is a limited liability company incorporated in the Cayman Islands and its principal place of business in Hong Kong is Unit 2310, 23/F, 118 Connaught Road West, Sai Ying Pun, Hong Kong.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group comprise provision of software as a service. The principal activities and other particulars of the subsidiaries of the Company are set out in note 1 to the financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the sections headed "Chairman's Statement" and the "Management Discussion and Analysis" set out on pages 4 to 5 and pages 6 to 12 of this annual report, respectively. This discussion forms part of this directors' report.

FOUR YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last four financial years is set out in the section headed "Four Year Financial Summary" on page 90 of this annual report. The summary does not form part of the audited financial statements.

RESULTS AND DIVIDEND

The Group's loss for the year ended December 31, 2017 and the Group's financial position as at December 31, 2017 are set out in the financial statements on pages 42 to 89.

The Board does not recommend payment of any dividend in respect of the year ended December 31, 2017 (2016: nil).

SHARE CAPITAL AND SHARE OPTION

Details of movements in the Company's share options are set out in note 20 to the financial statements.

There were no movements in the Company's share capital during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association ("Articles") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended December 31, 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DISTRIBUTABLE RESERVES

As at December 31, 2017, the Company's reserves available for distribution represent the share premium account and retained profits, amounted to approximately US$20.2 million.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's top five customers accounted for approximately 27.7% of the total revenue. The top five suppliers accounted for approximately 56.6% of the total purchases for the year. In addition, the Group's largest customer accounted for approximately 6.0% of the total revenue and the Group's largest supplier accounted for approximately 15.7% of the total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest customers and suppliers.

CHARITABLE DONATIONS

During the year ended December 31, 2017, the Group made charitable donations amounting to US$128,000.

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company during the year ended December 31, 2017 and up to the date of this report are:

Executive Directors:

Mr. Yangbin Bernard WANG *(Chairman and Chief Executive Officer)*
Mr. Michael Paul WITTE**
Mr. Xianming ZHU**

Non-executive Directors:

Mr. Vernon Edward ALTMAN*
Mr. J David WARGO*
Mr. WONG Wai Kwan**

Independent Non-executive Directors:

Mr. CHAN King Man Kevin***
Mr. James Alan CHIDDIX***
Mr. Charles Eric EESLEY***

* Appointed on January 1, 2017
** Appointed on June 21, 2017
*** Appointed on December 8, 2017

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors, non-executive Directors and independent non-executive Directors of the Company has entered into a service contract or letter of appointment with the Company for a specific term. The non-executive Directors and independent non-executive Directors have been appointed for a term of 3 years. The term of appointment of each Director is subject to retirement by rotation and re-election at each annual general meeting in accordance with the Articles and the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

Under the Articles, one-third of all Directors is subject to retirement by rotation and re-election at each annual general meeting provided that every Director shall be subject to retirement at least once every three years. A retiring Director is eligible for re-election and continues to act as a Director throughout the meeting at which he/she retires.

The Articles provide that any Director appointed by the Board, either to fill a casual vacancy in the Board or as an addition to the existing Board, shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Shareholders of the Company may, at any general meeting convened and held in accordance with the Articles, to remove a Director at any time before the expiration of his period of office notwithstanding anything to the contrary in the Articles or in any agreement between the Company and such Director.

DIRECTORS' REPORT

PERMITTED INDEMNITY PROVISION

Permitted indemnity provisions (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the Directors of the Company are currently in force and was in force during the year and at the date of this report.

CHANGES OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, there are no change in the Company's directorship since the date of the prospectus dated December 19, 2017.

DIRECTORS' SERVICE AGREEMENTS

Each of the Directors has entered into a service agreement or letter of appointment with the Company for a term of three years, which may be terminated by either party by giving one-week written notice or otherwise in accordance with the terms of the service agreement.

Saved as disclosed above, none of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract or letter of appointment with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2017, the Group employed a total of 60 staff (as at December 31, 2016: 62 staff), with 54 employees in the US, 3 employees in Hong Kong, and 3 employees in Japan. Salaries, bonuses and benefits are determined with reference to market terms and performance, qualifications and experience of each individual employee, and are subject to review from time to time.

The remuneration of the Directors is reviewed by the remuneration committee and approved by the Board. The relevant Director's experience, duties and responsibilities, time commitment, the Company's performance and the prevailing market conditions are taken into consideration in determining the emolument of the Directors.

The Company also adopted a pre-IPO share option scheme and a post-IPO share option scheme.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Particulars of the emoluments of the Directors and the five highest-paid individuals of the Group during the year ended December 31, 2017 are set out in notes 7 and 8 to the financial statements.

PRE-IPO SHARE OPTION SCHEME

The following is a summary of all the principal terms of the pre-IPO share option scheme ("Pre-IPO Share Option Scheme") conditionally adopted by a resolution passed by our then sole shareholder on December 30, 2016 (the "Adoption Date of Pre-IPO Share Option Scheme").

(a) Purpose of the Pre-IPO Share Option Scheme

The purpose of the Pre-IPO Share Option Scheme is to offer to only employees and Directors (i.e. a member of the Board who is not an employee) of, consultants or advisers who perform bona fide services for, our Company, its parent or its subsidiary the opportunity to acquire equity in our Company through awards of Pre-IPO Share Option Scheme which may be Pre-IPO incentive stock options ("Pre-IPO ISOs") or Pre-IPO non-statutory stock options ("Pre-IPO NSOs") and the award or sale of Shares.

(b) Exercise Price and Purchase Price of the Pre-IPO Share Option Scheme

Minimum exercise price for Pre-IPO ISOs: The exercise price per Share of a Pre-IPO ISO shall not be less than 100% of the fair market value of a Share on the date of grant; provided, however that the exercise price per share of a Pre-IPO ISO granted to an individual holding more than 10% of the voting power of our Company shall not be less than 110% of the fair market value of a share on the date of grant.

(c) Lapse of Option or Right

An option may be exercised in accordance with the terms of the Pre-IPO Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof.

(d) Total Number of Shares Available for Issue under the Pre-IPO Share Option Scheme

The maximum number of Shares issuable upon exercise of all options to be granted under the Pre-IPO Share Option Scheme of the Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Pre-IPO Share Option Scheme or any other share option schemes of the Company) must not exceed 24,000,000 shares, representing 5.81% of all the Shares in issue as at the Listing Date.

As at the date of this report, the outstanding number of options available for issue under the Pre-IPO Share Option Scheme is 16,000,000 Shares, representing 3.77% of the issued share capital of the Company.

(e) Duration of the Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme will remain in force for a period of 10 years commencing on the Adoption Date of Pre-IPO Share Option Scheme.

Outstanding share options

The table below shows details of the outstanding share options granted to all grantees under the Pre-IPO Share Option Scheme as of December 31, 2017. For further details on the movement of the options during the year, please see note 20 to the financial statements.

Grantee	Position Held	Exercise Price	Number of Shares under the Pre-IPO	Date of Grant	Approximate Percentage
Directors					
Mr. Wang	Executive Director	US$0.1375	8,000,000	April 25, 2017	1.88
Mr. Zhu	Executive Director	US$0.125	400,000	April 25, 2017	0.09
Mr. Witte	Executive Director	US$0.125	400,000	April 25, 2017	0.09
Mr. Wong	Non-executive Director	US$0.125	600,000	April 25, 2017	0.14
Subtotal			9,400,000		2.20
Senior Management					
Mr. Erwin	Senior Vice President of Sales and Customer Relations	US$0.125	800,000	April 25, 2017	0.19
Mr. Smith	Senior Vice President of Business Development	US$0.125	400,000	April 25, 2017	0.09
Mr. Ho	Financial Controller and Company Secretary	US$0.125	400,000	April 25, 2017	0.09
Subtotal			1,600,000		0.37
Mr. KWAN Ngai Kit	Consultant	US$0.125	600,000	April 25, 2017	0.14
Other 34 employees		US$0.125	4,400,000	April 25, 2017	1.06
Total			16,000,000		3.77

POST-IPO SHARE OPTION SCHEME

The following is a summary of all the principal terms of the post-IPO share option scheme ("Post-IPO Share Option Scheme") conditionally adopted by a resolution passed by our shareholders on December 8, 2017 ("Adoption Date of Post-IPO Share Option Scheme").

(a) Purpose of the Post-IPO Share Option Scheme

The purposes of the Post-IPO Share Option Scheme are to attract and retain the best available personnel, to provide additional incentive to employees, directors, consultants and advisers of our Group and to promote the success of the business of our Group.

(b) Types of Options for Employees in the US

Two types of options may be granted under the Post-IPO Share Option Scheme to employees of our Group which are subject to taxation under the US Internal Revenue Code of 1986 (the "Code") — incentive stock options ("Post-IPO ISO(s)") or non-statutory stock options ("Post-IPO NSO(s)"). Post-IPO ISOs are options within the meaning of section 422 of the Code, while Post-IPO NSOs are options that are not Post-IPO ISOs or are not subject to tax under the Code.

(c) Exercise Price and Purchase Price of the Post-IPO Share Option Scheme

The amount payable for each Share to be subscribed for under an option in the event of the option being exercised shall be determined by the Board and shall be not less than the greater of

(i) the closing price of the Shares on the Main Board of the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the date of grant;

(ii) the average closing price of the Shares on the Main Board of the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of the Shares.

(d) Lapse of Option or Right

An option shall lapse forthwith (to the extent not already exercised) on the earliest of expiry of the exercise period and under the other provisions as set out in the Post-IPO Share Option Scheme.

(e) Total Number of Shares Available for Issue under the Post-IPO Share Option Scheme

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other schemes of our Company shall not exceed such number of Shares as shall represent 30% of the issued share capital of our Company from time to time. The total number of Shares issued and to be issued upon the exercise of the options granted to each eligible person (including exercised, cancelled and outstanding options) under the Post-IPO Share Option Share in any 12-month period shall not exceed 1% of the relevant class of securities of our Company in issue.

As at the date of this annual report, the outstanding number of options available for issue under the Share Option Scheme is 8,000,000 Shares, representing 1.88% of the issued share capital of the Company.

(f) Duration of the Post-IPO Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the Adoption Date of the Post-IPO Share Option Scheme.

As at the date of this report, no option has been granted or agreed to be granted under the Post-IPO Share Option Scheme.

RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at December 31, 2017 are set out in note 2.4 to the financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As the Company was not listed on the Stock Exchange as of December 31, 2017, Divisions 7 and 8 of Part XV of the SFO and section 352 of the Hong Kong Securities and Futures Ordinance ("SFO") were not applicable to the Directors or chief executive of the Company as of December 31, 2017.

As of the date of this report, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept pursuant to Section 352 of the SFO; or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules ("Model Code") were as follows:

Name of Directors	Capacity	Number of shares held (note 1)	Percentage of the issued share capital (note 1)
Mr. Wang (note 2)	Beneficial owner; trustee of a trust; beneficiary of a trust	68,190,480 (L)	16.05%
Mr. Witte (note 3)	Beneficial owner	1,600,000 (L)	0.38%
Mr. Zhu (note 4)	Beneficial owner	641,668 (L)	0.15%
Mr. Altman (note 5)	Beneficial owner	19,180,952 (L)	4.51%
Mr. Wargo (note 6)	Beneficial owner	10,848,672 (L)	2.55%
Mr. Wong (note 7)	Beneficial owner	600,000 (L)	0.14%
Mr. Chiddix (note 8)	Beneficial owner	80,000 (L)	0.02%
Mr. Ohki (note 9)	Beneficial owner	1 share of Vobile Japan (L)	0.25% of Vobile Japan

Notes:

(1) The letter "L" denotes the person's long position in such securities. The number of shares are the number of shares held as at the date of this report and the percentage of the issued share capital of the Company is calculated on the basis of 424,874,536 shares in issue as at the date of this report.

(2) Mr. Wang is a settlor, a trustee and a beneficiary of the JYW Trust. Mr. Wang and the JYW Trust are the settlors and Mr. Wang is the trustee of the YBW Trust. Mr. Wang will be interested in 52,190,480 Shares held by him in his capacity as trustee of the JYW Trust, 8,000,000 Shares in his capacity as trustee of the YBW Trust and 8,000,000 Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme.

(3) Mr. Witte will be interested in 1,200,000 Shares beneficially owned by him and 400,000 Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme.

(4) Mr. Zhu will be interested in 241,668 Shares beneficially owned by him and 400,000 Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme.

(5) Mr. Altman will be interested in 2,000,000 Shares beneficially owned by him and held by him in his personal capacity and 17,180,952 Shares held by him in his capacity as trustee of Altman Family Trust UDT dated January 28, 1998.

(6) Mr. Wargo will be interested in 2,175,336 Shares beneficially owned by him and is deemed to be interested in 8,673,336 Shares held by VideoRec LLC, a corporation controlled by him.

(7) Mr. Wong Wai Kwan will be interested in 600,000 Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme.

(8) Mr. Chiddix will be interested in 80,000 Shares beneficially owned by him.

(9) Mr. Mitsuru Ohki is a director of Vobile Japan.

Save as disclosed above, as of the date of this report, so far as is known to the Directors or chief executive of the Company, none of the Directors or chief executive of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed in this report, at no time during the year ended December 31, 2017 was the Company, or any of its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the Shares, or underlying shares, or debentures, of the Company or its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As the Company was not listed on the Stock Exchange as of December 31, 2017, Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO were not applicable to the Company as of December 31, 2017.

As of the date of this report, so far as was known to any Director or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Nature of interest	Number of Shares[1]	Approximate percentage of shareholding (%)
Steamboat Ventures II, LLC[2]	Beneficial owner	37,340,928 (L)	8.79
Steamboat Ventures Manager II, LLC[2]	Interest in a controlled corporation	37,481,484 (L)	8.82
John BALL[2]	Interest in a controlled corporation	37,481,484 (L)	8.82
Leading Season Limited[3]	Beneficial owner	34,857,144 (L)	8.20
WANG Huimin[3]	Interest in a controlled corporation	34,857,144 (L)	8.20
YAO Xiaojun[3]	Interest in a controlled corporation	34,857,144 (L)	8.20
LU Jian	Beneficial owner	32,190,480 (L)	7.58
Navibell Venture Corp.[4]	Beneficial owner	31,800,000 (L)	7.48
Colombo Development Limited[4]	Interest in a controlled corporation	31,800,000 (L)	7.48
Equity Trustee Limited[4]	Interest in a controlled corporation	31,800,000 (L)	7.48
XIE Shihuang[4]	Interest in a controlled corporation	31,800,000 (L)	7.48
IPV Capital II HK Limited[5]	Beneficial owner	26,666,668 (L)	6.28
IPV Capital II, L.P.[5]	Interest in a controlled corporation	26,666,668 (L)	6.28
IPV Capital II-S, L.P.[5]	Interest in a controlled corporation	26,666,668 (L)	6.28
IPV Management II, L.P.[5]	Interest in a controlled corporation	26,666,668 (L)	6.28
IPV Management II, Ltd.[5]	Interest in a controlled corporation	26,666,668 (L)	6.28
Tingru LIU[5]	Interest in a controlled corporation	26,666,668 (L)	6.28
Terence Eng Chuan TAN[5]	Interest in a controlled corporation	26,666,668 (L)	6.28
EDB Investments Pte Ltd[6]	Beneficial owner	24,000,000 (L)	5.65
EDBI Pte Ltd.[6]	Interest in a controlled corporation	24,000,000 (L)	5.65
Economic Development Board of Singapore[6]	Interest in a controlled corporation	24,000,000 (L)	5.65

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Steamboat Ventures II, LLC is a limited liability company organized under the laws of the state of Delaware of the US. Steamboat Ventures Manager II, LLC is the managing member of Steamboat Ventures II, LLC. Steamboat Ventures Manager II is also the general partner of Steamboat Ventures II Co-Investment Fund, LP, a limited partnership established under the laws of the state of Delaware of the US. Steamboat Ventures II, LLC and Steamboat Ventures II Co-Investment Fund, LP will hold 37,340,928 Shares and 140,556 Shares, respectively, and Steamboat Ventures Manager II, LLC is deemed to be interested in 37,481,484 Shares in aggregate held by Steamboat Ventures II, LLC and Steamboat Ventures II Co-Investment Fund, LP. John Ball is the managing member of Steamboat Ventures Manager II, LLC. Under the SFO, Steamboat Ventures Manager II, LLC and John Ball are deemed to be interested in the Shares held by Steamboat Ventures II, LLC and Steamboat Ventures II Co-Investment Fund, LP.

(3) Leading Season Limited is owned as to 50% by Wang Huimin and 50% by Yao Xiaojun. Under the SFO, Wang Huimin and Yao Xiaojun are deemed to be interested in the Shares held by Leading Season Limited.

(4) Navibell Venture Corp. is wholly owned by Colombo Development Limited, which is wholly owned by Equity Trustee Limited. Xie Shihuang is a trustee and a beneficiary of The XIE Family Trust which is the beneficiary of Equity Trustee Limited.

(5) IPV Capital II HK Limited is owned as to 59.73% by IPV Capital II, L.P. and 40.27% by IPV Capital II-S, L.P. IPV Management II, L.P. is the general partner of IPV Capital II, L.P. and IPV Capital II-S, L.P. The general partner of IPV Management II, L.P. is IPV Management II, Ltd., which is owned as to 50% by Tingru Liu and 50% by Terence Eng Chuan Tan. Under the SFO, IPV Capital II, L.P., IPV Capital II-S, L.P., IPV Management II, L.P., IPV Management II, Ltd., Tingru Liu and Terence Eng Chuan Tan are deemed to be interested in the Shares held by IPV Capital II HK Limited.

(6) EDB Investments Pte Ltd. is wholly owned by the Economic Development Board of Singapore. EDBI Pte. Ltd. is the sole exclusive fund manager of EDB Investments Pte Ltd. Under the SFO, the Economic Development Board of Singapore and EDBI Pte. Ltd. are deemed to be interested in the Shares held by EDB Investments Pte Ltd.

Save as disclosed above, as of the date of this report, the Directors have not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which shall be disclosed to the Company pursuant to Division 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this report and the prospectus, no transaction, arrangement or contract of significance subsisted in which a Director or an entity connected with a Director was materially interested, whether directly or indirectly, during or as at December 31, 2017.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended December 31, 2017.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at December 31, 2017, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors during the reporting period namely, Mr. Chan, Mr. Chiddix and Mr. Eesley, an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all of them were independent during the year ended December 31, 2017.

DIRECTORS' REPORT

CONTINUING CONNECTED TRANSACTIONS

There was no connected transaction during the year ended December 31, 2017.

CORPORATE GOVERNANCE

The Corporate Governance Report is set out on pages 30 to 36 of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The environmental, social and governance report of the Company prepared in accordance with Appendix 27 to the Listing Rules will be published within three months after the publication of this report on the websites of the Company and the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the best of the Directors' knowledge, information and belief, the Company has always maintained sufficient public float as required under the Listing Rules throughout the period from the Listing Date up to the date of this report.

EVENT AFTER THE REPORTING PERIOD

Details of the significant event of the Group after the reporting period are set out in note 29 to the financial statements.

AUDITOR

Ernst & Young retires and a resolution for Ernst & Young's reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Yangbin Bernard WANG
Chairman, Executive Director and Chief Executive Officer

Hong Kong, March 28, 2018

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board of Directors is committed to maintaining high corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework for the Group to formulate its business strategies and policies, and to enhance its transparency and accountability.

The Shares were listed on the Main Board of the Stock Exchange on the Listing Date, which is after the year end of December 31, 2017. During the period from the Listing Date up to the date of this report, the Company has applied the principles as set out in the Corporate Governance Code ("CG Code") which are applicable to the Company.

Code provisions A.1.1 and C.3.3 respectively provide that board meetings should be held at least four times a year at approximately quarterly intervals with a majority of directors being present and the audit committee must meet at least twice a year with the issuer's auditor. The Shares were listed on the Main Board of the Stock Exchange on the Listing Date. The Company held 4 board meetings, and members of the audit committee did not meet with the Company's auditor during the year ended December 31, 2017, the end of which is prior to the Listing Date. During the period from the Listing Date up to the date of this report, the audit committee has had one meeting with the auditor of the Company to discuss the annual audit for the year ended December 31, 2017. In the opinion of the Directors, during the period from the Listing Date up to the date of this report, the Company has complied with all applicable code provisions as set out in the CG Code, save and except for code provision A.2.1 which states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual, details of which are set out in the "Chairman and Chief Executive Officer" of this report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. The Company has also set guidelines, at least as strict as the Model Code, on transactions of the Company's securities for relevant employees (as defined in the Listing Rules).

As the Company was not listed on the Stock Exchange as of December 31, 2017, related rules under the Listing Rules concerning the Model Code that Directors shall observe do not apply to the Company for the year ended December 31, 2017. The Company has made specific inquiries to all Directors about their compliance with the Model Code, and they all confirmed that they complied with the standards specified in the Model Code from the Listing Date to the date of this report. The Company has made specific inquiries of relevant employees about their compliance with the guidelines on transactions of the Company's securities, without noticing any violation of the guidelines.

BOARD OF DIRECTORS

Composition of the Board of Directors

As at the date of this report, the Board consisted of nine members comprising three executive Directors; three non-executive Directors and three independent non-executive Directors. The composition of the Board is as follows:

Executive Directors:
Mr. Yangbin Bernard WANG *(Chairman and Chief Executive Officer)*
Mr. Michael Paul WITTE
Mr. Xianming ZHU

Non-executive Directors:
Mr. Vernon Edward ALTMAN
Mr. J David WARGO
Mr. WONG Wai Kwan

Independent Non-executive Directors:
Mr. CHAN King Man Kevin
Mr. James Alan CHIDDIX
Mr. Charles Eric EESLEY

The biographical details of all current Directors and senior management of the Company are set out on pages 13 to 17 of this annual report. To the best knowledge of the Company, save as disclosed under the section headed "Directors and Senior Management" on page 13 to 17 of this annual report, there are no financial, business, family or other material or relevant relationships among the members of the Board and/or the senior management during the reporting period.

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Yangbin Bernard WANG is both our chairman and chief executive Officer, and is responsible for the overall management of our Group and directing the strategic development and business plans of our Group. We believe Mr. Wang is instrumental to our growth and business expansion since our establishment in 2005. Our Board considers that the roles of chairman and chief executive officer being vested in the same person is beneficial to the business prospects, management and overall strategic direction of our Group by ensuring consistent leadership within our Group and facilitating more effective and efficient overall strategic planning and decision-making for our Group. After considering all the corporate governance measures that have been taken, the Board considers that the balance of power and authority will not be impaired by the present arrangement and the current structure will enable the Company to make and implement decisions more promptly and effectively. Thus, the Company does not segregate the roles of chairman and chief executive officer. The Board will continue to review the situation and consider splitting the roles of chairman and chief executive officer of the Company in due course after taking into account of the then overall circumstances of the Group.

Independent Non-executive Directors

During the period from the Listing Date up to the date of this report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

NON-EXECUTIVE DIRECTORS AND DIRECTORS' RE-ELECTION

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the executive Directors, non-executive Directors and independent non-executive Directors is appointed under a service contract for a term of three years which is determinable either party by giving one week's written notice to the other party.

In accordance with the Articles, all Directors are subject to retirement by rotation and re-election at an annual general meeting at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting and any Director appointed by the Board as an addition to the Board shall hold office until the next following annual general meeting after his/her appointment and they will be subject to re-election at such meeting.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

CORPORATE GOVERNANCE REPORT

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses.

For the year end December 31, 2017 up to the date of this report, the Company organized two training sessions conducted by lawyers for Directors and all Directors have attended the training session. The sessions conducted by lawyers focused on corporate governance, directors' duties, responsibilities and obligations under the Listing Rules and The Codes on Takeovers and Mergers and Share Buy-backs. The Directors and senior management have also reviewed the performance of the Company and the sales strategy of the industry and have also discussed the market condition of the industry.

BOARD COMMITTEES

The Board has established three committees, namely, the audit committee, the remuneration committee and the nomination committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website (www.vobilegroup.com) and the Stock Exchange's website (www.hkexnews.hk) and are available to shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out in the section headed "Corporate Information in this report".

Audit Committee

The primary duties of the audit committee are to review, supervise, and assist our Board in providing an independent view of, our financial reporting processes, and internal control and risk management systems, as well as to oversee the audit process, review our annual and interim financial statements, provide advice and comments to the Board on matters related to corporate governance, and perform other duties and responsibilities as assigned by our Board from time to time.

As the audit committee was established and the Shares were listed on the Stock Exchange on the Listing Date which is after the year end of 2017, the audit committee did not have any meeting and did not meet the Company's external auditor during the year ended December 31, 2017.

During the period from the Listing Date up to the date of this report, the audit committee had one meeting with the auditor of the Company to discuss the annual audit for the year ended December 31, 2017.

Remuneration Committee

The primary duties of the remuneration committee are to (i) develop and review the policies the structure of the remuneration for our Directors and senior management; (ii) evaluate the performance of, and make recommendations on the remuneration packages and long-term incentive compensation or equity plans for, our Directors and senior management; and (iii) evaluate and make recommendations on employee benefit arrangements.

As the remuneration committee was established and the Shares were listed on the Stock Exchange on the Listing Date which is after the year end of 2017, the remuneration committee did not have any meeting during the year ended December 31, 2017.

Nomination Committee

The primary functions of the nomination committee are to make recommendations to our Board in relation to the appointment and removal of Directors and senior management, and on matters of succession planning.

In assessing the Board composition, the nomination committee would take into account various aspects set out in the Board diversity policy, including but not limited to professional qualifications, regional and industry experience, educational and cultural background, skills, industry knowledge, reputation and gender. The nomination committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the nomination committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

As the nomination committee was established and the Shares were listed on the Stock Exchange on the Listing Date which is after the year end of 2017, the nomination committee did not have any meeting during the year ended December 31, 2017.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the guidelines, and the Company's compliance with the CG Code and disclosure in this corporate governance report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board Committee meetings of the Company held during the year ended December 31, 2017 is set out in the table below:

Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mr. Yangbin Bernard WANG	4/4	N/A	N/A	N/A
Mr. Michael Paul WITTE	2/2	N/A	N/A	N/A
Mr. Xianming ZHU	2/2	N/A	N/A	N/A
Non-executive Directors				
Mr. Vernon Edward ALTMAN	4/4	N/A	N/A	N/A
Mr. J David WARGO	4/4	N/A	N/A	N/A
Mr. WONG Wai Kwan	2/2	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. CHAN King Man Kevin	1/1	N/A	N/A	N/A
Mr. James Alan CHIDDIX	1/1	N/A	N/A	N/A
Mr. Charles Eric Eesley	1/1	N/A	N/A	N/A

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2017.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report" on pages 37 to 41 of this annual report.

AUDITOR'S REMUNERATION

An analysis of the remuneration that should be paid to the external auditor of the Company, Ernst & Young, for the audit of the year ended December 31, 2017 and non-audit services is set out below:

Service Category	Fee Paid/ Payable US$'000
Audit services of annual report	147
Non-audit services:	
Professional service fees in relation to initial public offering of the Group	595
Taxation and other professional services	117

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for maintaining an effective risk management and internal control systems and reviewing their effectiveness to safeguard the Company's assets and the interests of Shareholders. The Audit Committee, assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

In order to achieve effective and efficient operations and reliable financial reporting and compliance with applicable laws and regulations, the Company has adopted various internal control rules and procedures, including the following:

- To adopt the internal control management measures, which sets out the procedures for effective implementation of internal control measures.
- To engage external professional advisers as necessary and work with our legal teams to conduct review to ensure that all registrations, licenses, permits, filings and approvals are valid and that the renewals of such documents are made in a timely manner.
- To engage a qualified Hong Kong legal adviser, to review and advise on our regulatory compliance with the relevant Hong Kong laws and regulations in Hong Kong.
- To appoint VBG Capital Limited, a corporation licenced to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, as our compliance adviser to advise us on compliance with the Listing Rules and other applicable securities laws and regulations in Hong Kong.

COMPANY SECRETARY

Mr. Ho, aged 32, is the company secretary of our Company and was appointed on January 1, 2017. Mr. Ho is a member of the Hong Kong Institute of Certified Public Accountants since February 2012. He has over 9 years of experience in the auditing, accounting and company secretarial matters. He graduated with a Bachelor of Business Administration in Economics and Accounting from the Hong Kong University of Science and Technology in May 2008.

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of Vobile Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Vobile Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 42 to 89, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill	
As at December 31, 2017, the balance of goodwill of US$6,839,000 was generated from the acquisition of Conventional Pay Per Transaction ("PPT") business, against which no impairment was provided. The recoverable amount of the Transaction-based SaaS Business has been determined based on a Value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. An assessment was made at the end of the reporting period. This process involves management to estimate the projected number of rental transactions and expected future market demand as a result of changes in current market conditions and technology, and the latest invoice prices. We focused on this area because it requires a high level of management judgement and the amount involved is significant. Related disclosures are included in notes 2.4, 3 and 13 to the consolidated financial statements.	We obtained an understanding of the process in place in the impairment assessment of goodwill. Our audit procedures included, amongst others, using our valuation experts to assist us in evaluating the assumptions and methodologies used by the Group, such as pre-tax discount rate and terminal growth rate. In particular, we assessed the recoverable amount of goodwill by reviewing the operating cash flows of the cash-generating unit, management's forecasts, the underlying assumptions and recent economic environment for the video technology industry by comparing the prior year's forecast with the company's actual performance in 2017,given this would be an indicator of the quality of the company's forecasting process,reading industry reports and obtaining new contracts to substantiate the revenue growth rate estimated by management. We also focused on the adequacy of the Company's disclosures concerning those assumptions to which the outcome of the impairment test is most sensitive, such as revenue growth rate, gross profit margin and the discount rate. These have the most significant effect on the determination of the recoverable amount of goodwill. We assessed the sufficiency of the sensitivity analysis performed by the directors and performed further sensitivity analyses, primarily focused on changes in operating cash flows.

Key audit matter	How our audit addressed the key audit matter
Recognition of deferred tax assets	
The balance of deferred tax assets as at December 31, 2017 amounted to US$2,585,000. Deferred tax assets had been provided for the losses available for offsetting against future taxable profits and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The Group had tax losses and unutilized deduction arising in the United States of US$7,653,000 as at December 31, 2017 that will expire in ten years for offsetting against future taxable profits. The deferred tax asset was calculated at a composite statutory tax rate of 27.39%, which consisted of a federal income tax rate and multiple state income tax rates. The assessment of future taxable income and the recognition of deferred tax assets requires judgement and estimates such as forecasted profits and the impact of potential future tax reforms on the deferred tax asset amounts and is therefore significant to our audit, especially in light of the U.S. Tax Cuts and Jobs Act ("TCJA") that became effective on January 1, 2018, according to which the federal tax rate in the U.S. decreased from 34% to 21%. Related disclosures are included in notes 2.4, 3 and 14 to the consolidated financial statements.	We obtained an understanding of the deferred tax asset calculation, and performed substantive audit procedures on the recognition of deferred tax balances based on local tax regulations, and on the analysis of the recoverability of the deferred tax assets. We evaluated the Company's assumptions and estimates in relation to the likelihood of generating sufficient future taxable income based on budgets and plans, principally by performing sensitivity analyses and evaluating and testing the key assumptions used to determine the amounts recognized. We have also involved U.S. tax specialists to support us in these procedures in order to assess the impact of the TCJA on deferred tax assets as at December 31, 2017.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
Hong Kong

March 28, 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended December 31, 2017

	Notes	2017 US$'000	2016 US$'000
REVENUE	5	**15,666**	16,794
Cost of services provided		**(3,220)**	(3,518)
Gross profit		**12,446**	13,276
Other income and gains	5	**43**	111
Selling and marketing expenses		**(4,482)**	(5,085)
Administrative expenses		**(6,977)**	(2,897)
Including: Listing fees expensed off		***(4,514)***	*(976)*
Research and development expenses		**(1,637)**	(1,260)
Other expenses		**(175)**	(171)
(LOSS)/PROFIT BEFORE TAX	6	**(782)**	3,974
Income tax expense	9	**(1,764)**	(1,136)
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(2,546)**	2,838
OTHER COMPREHENSIVE LOSS			
Exchange differences on translation of foreign operations		**(5)**	(7)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(5)**	(7)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(2,551)**	2,831
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY AND PREFERENCE EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (US cents)	10	**(0.76)**	1.11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2017

	Notes	2017 US$'000	2016 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**410**	628
Goodwill	13	**6,839**	6,839
Deferred tax assets	14	**2,585**	4,305
Prepayments	16	**405**	395
Total non-current assets		**10,239**	12,167
CURRENT ASSETS			
Trade receivables	15	**6,132**	4,071
Prepayments, deposits and other receivables	16	**2,191**	1,706
Cash and cash equivalents	17	**6,031**	7,139
Total current assets		**14,354**	12,916
CURRENT LIABILITIES			
Trade payables	18	**1,702**	1,523
Other payables and accruals	19	**3,455**	1,700
Finance lease payables		**—**	1
Tax payable		**—**	97
Total current liabilities		**5,157**	3,321
NET CURRENT ASSETS		**9,197**	9,595
Net assets		**19,436**	21,762
EQUITY			
Share capital	21	**8**	8
Reserves	22	**19,428**	21,754
Total equity		**19,436**	21,762

Yangbin Bernard WANG
Director

CHAN King Man Kevin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended December 31, 2017

	Attributable to owners of the Company						
	Share capital US$'000 (note 21)	Merger reserve* US$'000 (note 22)	Other reserve* US$'000 (note 22)	Share option reserve US$'000 (note 20)	Exchange fluctuation reserve* US$'000	Retained profits/ (accumulated losses)* US$'000	Total equity/ (deficiency in assets) US$'000
At January 1, 2016	–	376	5,518	–	37	(7,176)	(1,245)
Profit for the year	–	–	–	–	–	2,838	2,838
Other comprehensive loss for the year:							
Exchange differences related to foreign operations	–	–	–	–	(7)	–	(7)
Total comprehensive income for the year	–	–	–	–	(7)	2,838	2,831
Issue of shares	8	–	–	–	–	–	8
Capital contribution**	–	–	20,168	–	–	–	20,168
At December 31, 2016 and at January 1, 2017	8	376	25,686	–	30	(4,338)	21,762
Loss for the year	–	–	–	–	–	(2,546)	(2,546)
Other comprehensive loss for the year:							
Exchange differences related to foreign operations	–	–	–	–	(5)	–	(5)
Total comprehensive loss for the year	–	–	–	–	(5)	(2,546)	(2,551)
Equity-settled share option arrangement (note 20)	–	–	–	225	–	–	225
At December 31, 2017	8	376	25,686	225	25	(6,884)	19,436

* These reserve accounts comprise the consolidated other reserves of US$19,428,000 (2016: US$21,754,000) in the consolidated statement of financial position.

** Pursuant to the agreement on December 3, 2016, VideoMobile Co., Ltd., (the "Then Ultimate Holding Company"), has waived a balance due from the Group amounting to US$20,128,000 and was accounted for as capital contribution from the Then Ultimate Holding Company.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2017

	Notes	2017 US$'000	2016 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(782)**	3,974
Adjustments for:			
Interest income	5	**(1)**	(2)
Depreciation	12	**232**	238
Amortization of other intangible asset		**—**	50
Equity-settled share option expense	20	**225**	40
		(326)	4,300
(Increase)/decrease in trade receivables		**(2,061)**	889
Increase in prepayments, deposits and other receivables		**(495)**	(194)
Decrease in other payables		**(8)**	(129)
Increase/(decrease) in accruals, deferred income and payroll and welfare accruals		**1,763**	(675)
Increase/(decrease) in trade payables		**179**	(1,421)
Cash (used in)/generated from operations		**(948)**	2,770
Interest received		**1**	2
Hong Kong profits tax paid		**—**	(4)
Overseas taxes paid		**(141)**	(14)
Net cash flows (used in)/from operating activities		**(1,088)**	2,754
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(19)**	(32)
Proceeds from disposal of items of property, plant and equipment		**5**	—
Net cash flows used in investing activities		**(14)**	(32)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution		**—**	8
Capital element of finance lease rental payments		**(1)**	(2)
Increase in amounts due to the Then Ultimate Holding Company		**—**	368
Net cash flows (used in)/from financing activities		**(1)**	374
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,103)**	3,096
Cash and cash equivalents at beginning of year		**7,139**	4,050
Effect of foreign exchange rate changes, net		**(5)**	(7)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**6,031**	7,139
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	17	**6,031**	7,139

1. CORPORATE AND GROUP INFORMATION

Vobile Group Limited was incorporated as an exempted company with limited liability in the Cayman Islands on July 28, 2016 under the Companies Law, Chapter 22 of the Cayman Islands. The registered address of the office of the Company is P.O. Box 472, 2nd Floor, 103 South Church Street, Harbour Place, George Town, Grand Cayman KY1-1106, Cayman Islands.

The Company is an investment holding company. During the year, the Group is principally engaged in providing Software as a Service ("SaaS").

The ordinary shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on January 4, 2018.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Vobile, Inc. ("Vobile US")*	United States May 20, 2005	–	100%	–	SaaS
Vobile Japan, Inc. ("Vobile Japan")*	Japan September 5, 2009	JPY20,000,000	99.75%	–	SaaS
Vobile Group (HK) Limited ("Vobile Hong Kong")**	Hong Kong December 18, 2014	HK$1,000,000	100%	–	SaaS
Vobile Canada Inc. ("Vobile Canada")*	Canada January 30, 2015	–	100%	–	SaaS
LRC Oregon Inc. ("LRC")*	United States June 30, 1997	–	–	100%	–
Vobile Home Entertainment LLC ("Vobile LLC")*	United States January 29, 2015	US$1	–	100%	–

Notes:

* As at the date of this report, no audited financial statements of Vobile US, Vobile Japan, Vobile Canada, LRC and Vobile LLC have been prepared since the date of incorporation as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdictions of incorporation.

** Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB") and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in United States dollars ("US$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended December 31, 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group has directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealized Losses*
Amendments to IFRS 12 included in *Annual Improvements to IFRSs 2014–2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

The adoption of the above revised standards has had no significant financial effect on these financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the financial statements:

Amendments to IFRS 1 included in *Annual Improvements 2014–2016 Cycle*	*First-time Adoption of International Financial Reporting Standards*[1]
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 3 included in *Annual Improvements 2015–2017 Cycle*	*Business Combinations*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
IFRS 9	*Financial Instruments*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IFRS 11 included in *Annual Improvements 2015–2017 Cycle*	*Joint Arrangements*[2]
IFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
IFRS 17	*Insurance Contracts*[3]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to IAS 12 included in *Annual Improvements 2015–2017 Cycle*	*Income Taxes*[2]
Amendments to IAS 19	*Employee Benefits*[2]
Amendments to IAS 23 included in *Annual Improvements 2015–2017 Cycle*	*Borrowing Costs*[2]
Amendments to IAS 28 included in *Annual Improvements 2014–2016 Cycle*	*Investments in Associates and Joint Ventures*[1]
Amendments to IAS 40	*Transfers of Investment Property*[1]

[1] Effective for annual periods beginning on or after January 1, 2018
[2] Effective for annual periods beginning on or after January 1, 2019
[3] Effective for annual periods beginning on or after January 1, 2021
[4] No mandatory effective date yet determined but available for early adoption

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Directors of the Company anticipate that the new and revised IFRSs, excluding IFRS 9, IFRS 15 and IFRS 16, may result in changes in accounting policies but are unlikely to have material impact on the Group's results of operations and financial position upon application.

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from January 1, 2018 and is currently assessing the impact of the standard upon adoption. During 2016, the Group performed a high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of IFRS 9 are summarized as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at amortized cost all financial assets currently measured at amortized cost.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortized cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of IFRS 9.

Except for the potential early recognition of credit losses based on the expected credit loss model in relation to the Group's financial assets measured at amortized costs, the Group does not expect that the adoption of IFRS 9 will have a significant impact on the Group's financial performance and financial position, including the measurement of financial assets and disclosures.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognizing revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licenses of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on January 1, 2018. Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e., when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. The Group has performed a preliminary assessment of the potential impact of the adoption of IFRS 15 on the Group. Based on the preliminary assessment, the Group anticipates that the adoption of IFRS 15 in the future is unlikely to have a significant impact on the revenue recognition from the provision of SaaS services.

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases — Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize assets and liabilities for most leases. The standard includes two recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

As at December 31, 2017, the Group had undiscounted operating lease commitments of US$1,783,000 as set out in note 23 to the financial statements. The Directors do not expect the adoption of IFRS 16 would result in a significant impact on the Group's results but it is expected that a certain portion of these lease commitments will be required to be recognized in the consolidated statement of financial position as right-of-use assets and lease liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations (other than business combinations under common control) are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Merger method of accounting for business combination under common control

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. No amount is recognized in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination. The consolidated statement of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

Fair value measurement

The Group measures its financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	—	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Computer equipment	20%
Leasehold improvements	Over the shorter of lease terms and 20%
Furniture and fixtures	20%–33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in other income and gains in profit or loss. The loss arising from impairment is recognized in profit or loss in finance costs for loans and in other expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortized cost (Continued)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, an amount due to a related company and finance lease payables.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing bank and other loans are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in "Finance costs" in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position, if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

— when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

— in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

— when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

— in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the rendering of services, as further explained in the accounting policy for "Services revenue" below; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Services revenue

Revenue on the rendering of services comprises the subscription-based SaaS business and the transaction-based SaaS business.

The subscription-based SaaS business is provided on a subscription basis, and a monthly subscription fee is charged to customers. Revenue generated from subscription fees is recognized over the subscription period on a straight-line basis.

The transaction-based SaaS business generates revenue from the Conventional PPT platform and the Online PPT platform.

Revenue from the Conventional PPT platform is recognized when the relevant transaction occurs as determined and verified by the Conventional PPT platform, including, in some cases, the processing fees for each of the DVD unit shipped, and the end-of-term (end-of-lease) fee on each DVD unit shipped to a video store.

Revenue from the Online PPT platform is recognized when the relevant services are rendered.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including Directors) and consultants of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees and consultants for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes model, further details of which are given in note 20 to the financial statements.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in United States dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the US$. As at the end of the reporting period, the assets and liabilities of these entities are translated into US$ at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into US$ at the weighted average exchange rates for the year.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into US$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into US$ at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

3. SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of trade receivables

Impairment of trade receivables is made by assessing the recoverability of trade receivables based on credit history, historical payment pattern, ageing of receivable balances and prevailing market conditions. The identification of doubtful debts requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables as well as doubtful debt expenses or write-back of doubtful debt in the period in which such estimate has been changed. The carrying amount of trade receivables at December 31, 2017 was US$6,132,000 (2016: US$4,071,000). Further details of the trade receivables are given in note 15.

Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognized tax losses at December 31, 2017 was US$2,096,000 (2016: US$3,804,000). Further details are contained in note 14 to the financial statements.

Useful lives of property, plant and equipment and intangible assets

The Group determines the estimated useful lives and related depreciation/amortization charges for its property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation/amortization charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

Estimation uncertainty (Continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at December 31, 2017 was US$6,839,000 (2016: US$6,839,000). Further details are given in note 13.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group had only one reportable operating segment, which was offering SaaS to help content owners protect their content from unauthorized use, measure the viewership of their content, and monetize their content during the year. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

(a) Revenue from external customers

	2017 **US$'000**	2016 US$'000
United States	**14,773**	15,999
Japan	**657**	639
Hong Kong	**161**	156
Mainland China	**75**	—
	15,666	16,794

The revenue information above is based on the locations of the customers.

(b) Non-current assets

All significant non-current assets of the Group are located in the United States. Accordingly, no geographical information of segment assets is presented.

4. OPERATING SEGMENT INFORMATION (Continued)

Information about a major customer

Revenue derived from sales to a major customer, including sales to a group of entities which are known to be under common control with that customer, which accounted for 10% or more of the Group's revenue for the year ended December 31, 2017 is as follows:

	2017	2016
	US$'000	US$'000
Customer A	**N/A***	1,815

* Less than 10% of the Group's revenue.

5. REVENUE AND OTHER INCOME AND GAINS

Revenue represents the value of services rendered during the year.

An analysis of revenue and other income and gains is as follows:

	2017	2016
	US$'000	US$'000
Revenue		
Rendering of services	**15,666**	16,794
Other income and gains		
Interest income	**1**	2
Foreign exchange gain	**42**	45
Others	**—**	64
	43	111

6. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	2017 US$'000	2016 US$'000
Cost of services provided	**3,220**	3,518
Employee benefit expense (excluding Directors' and chief executive's remuneration (Note 7)):		
Wages and salaries	**5,435**	4,978
Equity-settled share option expense	**99**	39
Other benefits	**318**	376
Pension scheme contributions	**4**	2
	5,856	5,395
Depreciation of items of property, plant and equipment (Note 12)	**232**	238
Amortization of other intangible assets	**—**	50
Minimum Lease payments under operating leases	**543**	440
Impairment of trade receivables	**39**	18
Research and development expenses	**1,645**	1,260
Auditor's remuneration		
— Statutory audit	**148**	1
— Listing fees expensed off	**595**	116
Other listing fees expensed off	**3,919**	860
Foreign exchange differences, net	**(34)**	(46)

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Certain of the Directors received remuneration from the subsidiaries now comprising the Group for their appointment as Directors of these subsidiaries. The remuneration of each of these Directors as recorded in the financial statements of the subsidiaries is set out below:

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2017	2016
	US$'000	US$'000
Fees	**–**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**787**	919
Equity-settled share option expense	**130**	1
Pension scheme contributions	**–**	–
	917	920

During the year, certain Directors were granted share options, in respect of their services to the Group, under the Pre-IPO Share Option Scheme, further details of which are set out in note 20 to the financial statements. The fair value of such options, which has been recognized in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above Directors' and chief executive's remuneration disclosures.

(a) Independent non-executive Directors

There were no emoluments payable to the independent non-executive Directors during the year (2016: Nil).

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive Directors, non-executive Directors and the chief executive

	Fees US$'000	Salaries, allowances and benefits in kind US$'000	Equity-settled share option expense US$'000	Pension scheme contributions US$'000	Total US$'000
2017					
Executive Directors:					
— Mr. Yangbin Bernard Wang*	—	350	110	—	460
— Mr. Xianming Zhu	—	165	6	—	171
— Mr. Michael Paul Witte	—	272	6	—	278
	—	787	122	—	909
Non-executive Directors:					
— Mr. Vernon Edward Altman	—	—	—	—	—
— Mr. J David Wargo	—	—	—	—	—
— Mr. Wong Wai Kwan	—	—	8	—	8
	—	787	130	—	917
2016					
Executive Directors:					
— Mr. Yangbin Bernard Wang*	—	455	—	—	455
— Mr. Xianming Zhu	—	165	1	—	166
— Mr. Michael Paul Witte	—	299	—	—	299
	—	919	1	—	920

* Mr. Yangbin Bernard Wang is also the chief executive officer of the Company.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year.

During the year, no emoluments were paid by the Group to any of the persons who are Directors of the Company, or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three Directors (2016: three), details of whose remuneration are set out in Note 7(b) above. Details of the remuneration for the year of the remaining two (2016: two) highest paid employees who are neither a Director nor chief executive of the Group are as follows:

	2017	2016
	US$'000	US$'000
Salaries, allowances and benefits in kind	**380**	503
Equity-settled share option expense	**13**	10
	393	513

The number of non-Director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2017	2016
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,500,000	**1**	—
HK$2,500,001 to HK$3,000,000	**—**	1
	2	2

During the year and in prior years, share options were granted to a non-Director and non-chief executive highest paid employee in respect of their services to the Group, further details of which are included in the disclosures in note 20 to the financial statements. The fair value of such options, which has been recognized in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-Director and non-chief executive highest paid employees' remuneration disclosures.

9. INCOME TAX EXPENSE

Income tax consists primarily of United States, Hong Kong and Japan enterprise income tax charged on the Group. United States income tax applicable to the Group is at the federal tax rate of 34%. The income tax applicable to Hong Kong profits was provided at a statutory tax rate of 16.5% during the year ended December 31, 2017.

9. INCOME TAX EXPENSE (Continued)

The major components of income tax expense for the years are as follows:

	2017 US$'000	2016 US$'000
Current — United States		
Charge for the year	41	11
Current — Hong Kong		
Charge for the year	1	4
Current — Japan		
Charge for the year	2	1
Deferred tax expenses from change in federal tax rate resulted from the TCJA* (note 14)	1,130	—
Deferred tax expenses — Others (note 14)	590	1,120
Total tax expense for the year	1,764	1,136

A reconciliation of the U.S. federal statutory income tax rate of 34.0% (2016: 34.0%) to the Group's effective tax are as follows:

	2017 US$'000	2016 US$'000
(Loss)/profit before tax	(782)	3,974
Tax at the U.S. federal statutory income tax rate	(266)	1,351
U.S. state income taxes, net of federal benefit	37	178
Lower tax rate for specific jurisdictions	(28)	(17)
Effect on opening deferred tax of changes in rates	46	(60)
Non-deductible expenses	724	29
Non-taxable income	—	(42)
Additional deductible allowance for research and development costs	—	(113)
Change in federal tax rate resulted from the TCJA*	1,130	—
Others	121	(190)
Tax charge at the Group's effective tax rate	1,764	1,136

* The Company remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 27.39%. Additionally, given the significant changes included in the TCJA, the Company re-evaluated the realizability of certain deferred tax assets, including foreign tax credits and interest deferral, and determined that valuation allowances needed to be adjusted. The Company is still analyzing certain aspects of the TCJA, including interpretations by state and local tax authorities, and additional Treasury guidance may be issued which could potentially affect the measurement of these balances or give rise to new deferred tax amounts. The Company recorded a provisional deferred tax expense of US$1,130,000 for the remeasurement of deferred tax balances and related valuation allowances.

10. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY AND PREFERENCE EQUITY HOLDERS OF THE COMPANY

As of December 31, 2017, the Company had 32,199,429 ordinary shares and 51,094,205 preference shares in issue; all of the preference shares have been converted automatically into ordinary shares upon the closing of the initial public offering on January 4, 2018. On January 4, 2018, the Company was listed on the Main Board of the Stock Exchange by way of issuing 80,000,000 new shares and capitalization issue of 249,880,902 new shares ("Capitalization Issue"), resulting in 413,174,536 ordinary shares in issue (notes 29(a) and (b) below). The Company capitalized an amount of approximately US$24,988 standing to the credit of the share premium account of the Company by applying such sum towards the paying up in full of 249,880,902 shares for allotment and issue to the shareholders as of January 4, 2018. On January 19, 2018, a total number of 11,700,000 shares were issued by the Company at HK$2.58 per share upon the exercise of over-allotment share options granted to the relevant underwriter in connection with the global offering. The additional gross proceeds received by the Company in connection with the over-allotment share issue were approximately HK$30,186,000 (equivalent to approximately US$3,861,000).

The calculations of (loss)/earnings per share attributable to ordinary and preference equity holders of the Company for each of the years ended December 31, 2017 and 2016 are based on the following data:

	2017 **US$'000**	2016 US$'000
(Loss)/earnings		
(Loss)/profit attributable to ordinary and preference equity holders of the Company, used in the basic (loss)/earnings per share calculation	**(2,546)**	2,838
Number of shares		
Number of issued shares on January 1,	**83,293,634**	1,000
Effect of shares split on December 2, 2016	**—**	99,000
Effect of shares issued on December 2, 2016	**—**	6,819,150
Effect of Capitalization Issue on January 4, 2018	**249,880,902**	249,880,902
Number of shares for the purpose of basic (loss)/earnings per share calculation	**333,174,536**	256,800,052

Basic loss per share for the year ended December 31, 2017 amounted to US0.76 cent (2016: basic earnings per share of US1.11 cents) per share. The number of ordinary shares for the purpose of calculating basic (loss)/earnings per share has been retrospectively adjusted for the Capitalization Issue of the shares of the Company completed on January 4, 2018 (note 29(b)). No adjustment has been made to the basic loss per share amounts presented for the year ended December 31, 2017 in respect of a dilution as the impact of the options outstanding had an anti-dilutive effect on the basic loss per share amounts presented. The Group had no potentially dilutive ordinary shares in issue during the year ended December 31, 2016.

11. DIVIDENDS

The Board does not recommend payment of any dividend for the year ended December 31, 2017 (2016: Nil).

12. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment US$'000	Leasehold improvements US$'000	Furniture and fixtures US$'000	Total US$'000
December 31, 2017				
At December 31, 2016 and at January 1, 2017				
Cost	1,093	220	170	1,483
Accumulated depreciation	(672)	(103)	(80)	(855)
Net carrying amount	421	117	90	628
At January 1, 2017, net of accumulated depreciation	421	117	90	628
Additions	6	13	—	19
Disposals	(5)	—	—	(5)
Depreciation provided during the year	(150)	(48)	(34)	(232)
At December 31, 2017, net of accumulated depreciation	272	82	56	410
At December 31, 2017:				
Cost	988	233	170	1,391
Accumulated depreciation	(716)	(151)	(114)	(981)
Net carrying amount	272	82	56	410
December 31, 2016				
At January 1, 2016				
Cost	1,061	220	170	1,451
Accumulated depreciation	(513)	(59)	(45)	(617)
Net carrying amount	548	161	125	834
At January 1, 2016, net of accumulated depreciation	548	161	125	834
Additions	32	—	—	32
Depreciation provided during the year	(159)	(44)	(35)	(238)
At December 31, 2016, net of accumulated depreciation	421	117	90	628
At December 31, 2016:				
Cost	1,093	220	170	1,483
Accumulated depreciation	(672)	(103)	(80)	(855)
Net carrying amount	421	117	90	628

13. GOODWILL

	US$'000
Cost as at January 1, 2016, December 31, 2016 January 1, 2017 and December 31, 2017	6,839
Impairment	—
Net carrying amount as at December 31, 2016 and 2017	6,839

Impairment testing of goodwill

The Group purchased the Conventional PPT business on January 31, 2015, with knowledge of its declining trend, and made the acquisition not for its value as a stand-alone business but rather its value as a facilitator of the Group's nascent Online PPT business. Accordingly, the Group considered the Conventional PPT business an integral part of the Transaction-based SaaS Business cash-generating unit in the impairment assessment of goodwill.

The recoverable amount of the Transaction-based SaaS Business has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. An assessment was made at the end of each reporting period during the year.

Key assumptions used in the calculation are as follows:

	2017	2016
Revenue (% compound growth rate)	**11%**	12%
Gross margin (% of revenue)	**77%**	83%
Terminal growth rate	**3%**	3%
Pre-tax discount rate	**18%**	20%

Revenue — the basis used to determine the budgeted revenue is based on the historical data and management's expectation of the future market. The compound growth rate of revenue was estimated based on information available at the time of assessment, disregarding information that became available after the assessment. Such information includes the number of contracts signed and the progress of business under negotiation.

Gross margin — The basis used to determine the value assigned to the budgeted gross margin is the average gross margins achieved in the year immediately before the budget year for each product, increased for expected efficiency improvements, and expected market development.

Terminal growth rate — The terminal growth rate is based on the historical data and management's expectation on the future market.

Pre-tax discount rate — The pre-tax discount rate used is determined using the capital asset pricing model with reference to the beta coefficient and debt ratio of certain publicly listed companies in the technology industry.

13. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

If the pre-tax discount rate rose to 41% or the gross profit margin decreased to 56% (with other assumptions remaining unchanged), the recoverable amount of the cash-generating unit would be decreased to the carrying amount of goodwill. Except for these, any reasonably possible changes in the other key assumptions used in the value-in-use assessment model would not affect management's view on impairment at December 31, 2017.

Based on the impairment assessment conducted by the Group utilizing the above key assumptions, the recoverable amount of the cash-generating unit estimated from the cash flow forecast exceeded the carrying amount of goodwill and no impairment was considered necessary.

The values assigned to the key assumptions on market development of related services and discount rates are consistent with external information sources.

14. DEFERRED TAX ASSETS

The movements in deferred tax assets during the year are as follows:

	Losses available for offsetting against future taxable profits	Depreciation allowance in excess of related depreciation	Research and development costs	Tax deduction of goodwill	Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At January 1, 2016	5,087	(53)	591	(277)	77	5,425
Deferred tax credited/(charged) to profit or loss during the year	(1,283)	35	113	(62)	77	(1,120)
At December 31, 2016 and January 1, 2017	3,804	(18)	704	(339)	154	4,305
Deferred tax credited/(charged) to profit or loss during the year	(1,708)	42	(64)	36	(26)	(1,720)
At December 31, 2017	**2,096**	**24**	**640**	**(303)**	**128**	**2,585**

As at December 31, 2017, deferred tax assets related to Vobile US have been calculated at a composite statutory tax rate of 27.39%, which consisted of a federal income tax rate of 21% and multiple state income tax rates.

Deferred tax assets had been provided for the losses available for offsetting against future taxable profits. The Group had tax losses and unutilized deduction arising in the United States of US$7,653,000 as at December 31, 2017 (2016: US$9,774,000), that will expire in ten to twenty years from December 31, 2017 for offsetting against future taxable profits.

15. TRADE RECEIVABLES

	2017 US$'000	2016 US$'000
Trade receivables	**6,180**	4,111
Impairment	**(48)**	(40)
	6,132	4,071

The Group's trading terms with its debtors are usually 10 to 60 days. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are unsecured and non-interest-bearing.

An aging analysis of the current trade receivables as at December 31, 2017, based on the invoice date and net of provisions, is as follows:

	2017 US$'000	2016 US$'000
Within 90 days	**3,718**	4,047
91 to 180 days	**1,670**	13
181 to 365 days	**744**	11
	6,132	4,071

The movements in provision for impairment of trade receivables are as follows:

	2017 US$'000	2016 US$'000
At beginning of year	**40**	49
Impairment losses recognized	**39**	18
Amount written off as uncollectible	**(31)**	(27)
At end of year	**48**	40

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of US$48,000 with a carrying amount before provision of US$48,000 as at December 31, 2017.

15. TRADE RECEIVABLES (Continued)

The individually impaired trade receivables relate to debtors that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

The aging analysis of the current trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2017 US$'000	2016 US$'000
Neither past due nor impaired	**4,333**	3,681
Within 90 days	**1,520**	368
91 to 180 days	**279**	13
181 to 365 days	**—**	9
	6,132	4,071

Receivables that were past due but not impaired relate to a number of independent debtors that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 US$'000	2016 US$'000
Prepayments	**2,429**	1,727
Deposits	**66**	59
Other receivables	**101**	315
	2,596	2,101
Portion classified as current assets	**(2,191)**	(1,706)
Non-current portion	**405**	395

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

17. CASH AND CASH EQUIVALENTS

	2017 US$'000	2016 US$'000
Cash and bank balances	**6,031**	7,139
Denominated in US$	**5,538**	6,619
Denominated in JPY	**390**	276
Denominated in HK$	**103**	244
Cash and bank balances	**6,031**	7,139

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

18. TRADE PAYABLES

	2017 US$'000	2016 US$'000
Within 90 days	**1,702**	1,523

The trade payables are non-interest-bearing and are normally settled on 30 to 90 day terms.

19. OTHER PAYABLES AND ACCRUALS

	2017 US$'000	2016 US$'000
Payroll and welfare accruals	**454**	485
Accruals	**2,336**	595
Deferred income	**567**	514
Other payables	**98**	106
	3,455	1,700

Other payables are non-interest-bearing and repayable on demand.

20. SHARE OPTION SCHEME

The Company operates a Pre-IPO Share Option Scheme for the purpose of providing additional incentive to eligible participants of the Group and to promote the success of the Group's operations. Eligible participants of the Pre-IPO Share Option Scheme include employees, Directors, consultants and advisers of the Group, and they could exercise with prices no less than 100% of the fair value market value of a share on the date of grant. The Pre-IPO Share Option Scheme became effective on December 30, 2016 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The Post-IPO Share Option Scheme shall be administered by the Board, who may delegate any or all administrative functions under the Post-IPO Share Option Scheme to one or more committees designated by the Board. Each committee shall consist of at least two Directors who have been appointed by the Board, who shall have the authority and be responsible for such functions as the Board has assigned to it. To the extent permitted by applicable law, the Board or a committee may also authorize one or more officers of the Company to designate employees of the Group to receive options and/or to determine the number of options to be received by such employees, subject to the Board specifying the total number of options that such officer may award.

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other schemes of the Company shall not exceed such number of Shares as shall represent 30% of the issued share capital of the Company from time to time.

The Board may grant options under the Post-IPO Share Option Scheme, generally and without further authority, in respect of such number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other schemes in aggregate not exceeding 10% of the issued share capital of the Company as at the date on which dealings in the Shares commence on the Main Board of the Stock Exchange (the "Scheme Mandate Limit") (being 41,317,453 Shares). For the avoidance of doubt, options lapsed in accordance with the Post-IPO Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit.

The Scheme Mandate Limit may be renewed by obtaining approval of the shareholders in a general meeting, provided that such renewed limit shall not exceed 10% of the Shares in issue as at the date of approval of such limit (the "Refreshed Limit"). Options previously granted under the Post-IPO Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the Post-IPO Share Option Scheme or exercised options) shall not be counted for the purpose of calculating the Refreshed Limit.

The Board may grant options in excess of the Scheme Mandate Limit to specifically identified eligible persons by first obtaining approval of the shareholders in a general meeting to grant the options in the amounts and to the eligible persons specified in the resolution.

20. SHARE OPTION SCHEME (Continued)

The following share options were outstanding under the Pre-IPO Share Option Scheme during the year:

	2017	
	Weighted average exercise price US$ per share	Number of options '000
At January 1, 2017	—	—
Granted during the year	0.525	4,000
At December 31, 2017	0.525	4,000

	2017 Number of options '000	Exercise price* US$ per share	Exercise period
	4,000	0.525	April 25, 2021 to April 25, 2027

The fair value of share options granted during the year was estimated as at the date of grant using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

The fair value of the share options granted during the year ended December 31, 2017 was approximately US$985,200 (US$0.2463 each).

	December 31, 2017
Dividend yield (%)	0.0%
Expected volatility (%)	55.0%
Risk-free interest rate (%)	1.2%
Weighted average share price (US$ per share)	0.525

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

20. SHARE OPTION SCHEME (Continued)

Subsequent to December 31, 2017, on January 4, 2018, all pre-IPO options granted under the Pre-IPO Share Option Scheme for an aggregate of 4,000,000 shares with an exercise price of US$0.50 (equivalent to approximately HK$3.9059) per share were adjusted to an aggregate of 16,000,000 shares with US$0.125 per share upon the capitalization issue, except that the pre-IPO incentive stock options granted to Mr. Yangbin Bernard Wang with an exercise price of US$0.55 (equivalent to approximately HK$4.2965) per share were adjusted to US$0.1375 per share upon the capitalization issue.

21. SHARE CAPITAL

	Shares December 31, 2017 US$'000
Issued and fully paid (US$0.0001 per share):	
32,199,429 Ordinary Shares (Authorized: 7,940,000,000 shares)	3
9,809,530 Series A Preference Shares (Authorized: 9,809,530 shares)	1
18,962,964 Series B Preference Shares (Authorized: 18,962,964 shares)	2
12,550,280 Series C Preference Shares (Authorized: 12,619,724 shares)	1
9,771,431 Series D Preference Shares (Authorized: 18,607,782 shares)	1
	8

The Company is a limited liability company incorporated in the Cayman Islands on July 28, 2016. As at the date of incorporation of the Company, the authorized share capital of the Company was US$100, divided into 10,000 Ordinary Shares with a par value of US$0.01 each, of which 1,000 fully-paid Shares in the Company were issued and allotted to the Then Ultimate Holding Company on July 28, 2016.

On December 2, 2016, the Company: (a) increased its authorized share capital from US$100 divided into 10,000 Shares of a par value of US$0.01 each to US$800,000 divided into 80,000,000 Shares of a par value of US$0.01 each; (b) subdivided its authorized share capital from US$800,000 divided into 80,000,000 Shares of US$0.01 each to US$800,000 divided into 8,000,000,000 Shares of US$0.0001 each; (c) designated 60,000,000 Shares as 9,809,530 Series A Preference Shares, 18,962,964 Series B Preference Shares, 12,619,724 Series C Preference Shares and 18,607,782 Series D Preference Shares.

The Company issued to the Then Ultimate Holding Company on December 2, 2016, 83,193,634 shares of the Company so that the Then Ultimate Holding Company held the same number and class and series of Shares as are outstanding and held by the Then Ultimate Holding Company's shareholders. Such shares were issued at their par value of US$0.0001 per share. The shares issued were 32,099,429 Ordinary Shares, 9,809,530 Series A Preference Shares, 18,962,964 Series B Preference Shares, 12,550,280 Series C Preference Shares, and 9,771,431 Series D Preference Shares. These shares were in addition to the 100,000 Ordinary Shares already owned by The Then Ultimate Holding Company.

21. SHARE CAPITAL (Continued)

Definitions of the preference shares are as follows:

(a) The Series A Preference Shares have a dividend preference equal to US$0.0144 per share over ordinary shares if and when dividends are declared; a liquidation preference of US$0.2400 per share over ordinary shares triggered upon a sale, merger, or dissolution; are convertible voluntarily by their holders into ordinary shares on a one-to-one basis and convert automatically upon certain events; and vote based on their underlying ordinary shares.

(b) The Series B Preference Shares are pari passu with the Series A Preference Shares and have a dividend preference equal to US$0.0259 per share over ordinary shares if and when dividends are declared; a liquidation preference of US$0.4320 per share over ordinary shares triggered upon a sale, merger, or dissolution; are convertible voluntarily by their holders into ordinary shares on a one-to-one basis and convert automatically upon certain events; vote based on their underlying ordinary shares.

(c) The Series C Preference Shares have a dividend preference pari passu with the Series A and B Preference Shares equal to US$0.0432 per share over the ordinary shares if and when dividends are declared; have a liquidation preference of US$0.7200 per share senior to the Series A and B Preference Shares and to the ordinary shares triggered upon a sale, merger, or dissolution; are convertible voluntarily by their holders into ordinary shares on a one-to-one basis and convert automatically upon certain events; vote based on their underlying ordinary shares.

(d) The Series D Preference Shares have a dividend preference pari passu with the Series A, B, and C Preference Shares equal to US$0.0840 per share over the ordinary shares if and when dividends are declared; have a liquidation preference of US$1.4000 per share pari passu with the Series C Preference Shares and senior to the Series A and B Preference Shares and to the ordinary shares triggered upon a sale, merger, or dissolution; are convertible voluntarily by their holders into ordinary shares on a one-to-one basis and convert automatically upon certain events; and vote based on their underlying ordinary shares.

As at December 31, 2017, the Company had an aggregate amount of 83,293,634 outstanding ordinary and preference shares; all of the preference shares have been converted automatically into ordinary shares upon the closing of the initial public offering on January 4, 2018.

Subsequent to December 31, 2017 and on January 4, 2018, the Company issued 80,000,000 new shares of US$0.0001 each by way of issuing at the price of HK$2.58 per share, by way of capitalization of an aggregate amount of approximately US$24,988.0902 out of the share premium account of the Company, in connection with the initial listing of the Company's shares on the Main Board of the Stock Exchange on January 4, 2018, as further detailed in notes 29(a) and (b) below. On January 19, 2018, a total number of 11,700,000 shares were issued by the Company at HK$2.58 per share upon the exercise of over-allotment share options granted to the relevant underwriters in connection with the global offering.

22. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity on page 44 of the financial statements.

Merger reserve

The merger reserve represents those reserves arising from the reorganization for the purpose of listing. Details of the movements in the merger reserve are set out in the consolidated statement of changes in equity.

Other reserve

The other reserve of the Group represents certain assignments and share-based payments under the share option scheme made by the Then Ultimate Holding Company on behalf of the Group.

23. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for office premises are negotiated for terms ranging from 2 to 6 years.

As at December 31, 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 **US$'000**	2016 US$'000
Within one year	**901**	519
In the second to fifth years, inclusive	**882**	1,025
	1,783	1,544

24. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at December 31, 2017.

25. RELATED PARTY TRANSACTIONS

(a) There was no related party transaction during the year.

(b) Outstanding balances with related parties:

As at December 31, 2016 and 2017, there were no outstanding balances with related parties.

26. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at December 31, 2017 are as follows:

Financial assets — loans and receivables

	2017 US$'000	2016 US$'000
Trade receivables	6,132	4,071
Financial assets included in prepayments, deposits and other receivables	101	315
Cash and cash equivalents	6,031	7,139
	12,264	11,525

Financial liabilities — financial liabilities at amortized cost

	2017 US$'000	2016 US$'000
Trade payables	1,702	1,523
Financial liabilities included in other payables and accruals	2,888	1,186
Finance lease payables	—	1
	4,590	2,710

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at December 31, 2017, the fair values of the Group's financial assets or financial liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables, an amount due to the Then Ultimate Holding Company, finance lease payables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The Directors review the results of the fair value measurement of financial instruments periodically for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The Directors reviews and agrees policies for managing each of these risks and they are summarized below.

Credit risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval from the management.

Credit risks mainly arise from bank balances, trade receivables and other receivables, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer and by geographical region. At the end of year 2017, the Group had certain concentrations of credit risk as 3% (2016: 3%) and 11% (2016: 14%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 15 to the financial statements.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at December 31, 2016 and 2017, based on the contractual undiscounted payments, is as follows:

2017

	On demand US$'000	Within 1 year US$'000	Over 1 year US$'000	Total US$'000
Trade payables	—	1,702	—	1,702
Financial liabilities included in other payables and accruals	2,888	—	—	2,888
	2,888	1,702	—	4,590

2016

	On demand US$'000	Within 1 year US$'000	Over 1 year US$'000	Total US$'000
Trade payables	—	1,523	—	1,523
Financial liabilities included in other payables and accruals	1,186	—	—	1,186
Finance lease payables	—	1	—	1
	1,186	1,524	—	2,710

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended December 31, 2017.

29. EVENTS AFTER THE REPORTING PERIOD

On January 4, 2018, the Shares were successfully listed on the Stock Exchange with stock code 3738. Saved as disclosed elsewhere in these consolidated financial statements, the following significant events took place subsequent to December 31, 2017 and up to the date of approval of these financial statements.

(a) On January 4, 2018, the Company completed the initial listing of its 413,174,536 shares of US$0.0001 each in issue (the "Initial Listing") including 83,293,634 old shares and 80,000,000 new shares of US$0.0001 each issued at HK$2.58 per share on January 4, 2018, and 249,880,902 new shares of US$0.0001 each issued by the way of capitalization out of the share premium (note (b) below), on the Main Board of the Stock Exchange.

(b) Pursuant to the written resolution passed by the shareholders of the Company on January 3, 2018 and immediately prior to the Initial Listing on January 4, 2018, the Company capitalized an amount of approximately US$24,988.0902 standing to the credit of the share premium account of the Company by applying such sum towards the paying up in full of 249,880,902 shares for allotment and issue to the shareholders as of January 4, 2018.

(c) On January 24, 2018, a total number of 11,700,000 shares were issued by the Company at HK$2.58 per share upon the exercise of over-allotment share options granted to the relevant underwriters in connection with the global offering.

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2017 US$'000	2016 US$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	197	—*
CURRENT ASSETS		
Prepayment	5	—
Due from subsidiaries	16,737	15,636
Cash and cash equivalents	3,500	4,500
Total current assets	20,242	20,136
Net current assets	20,242	20,136
TOTAL ASSETS LESS CURRENT LIABILITIES	20,439	20,136
Net assets	20,439	20,136
EQUITY		
Share capital	8	8
Reserves	20,431	20,128
Total equity	20,439	20,136

* The amount is less than US$1,000.

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserve is as follows:

	Share premium reserve US$'000	Share option reserve US$'000	Retained profits US$'000	Total US$'000
At July 28, 2016 (date of incorporation)	—	—	—	—
Capital contribution	20,128	—	—	20,128
At December 31, 2016 and January 1, 2017	20,128	—	—	20,128
Total comprehensive income for the year	—	—	78	78
Equity-settled share option arrangement	—	225	—	225
At December 31, 2017	**20,128**	**225**	**78**	**20,431**

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of Directors on March 28, 2018.

FOUR YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last four financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out below.

	Year ended December 31,			
	2017	2016	2015	2014
	US$'000	US$'000	US$'000	US$'000
RESULTS				
Revenue	**15,666**	16,794	17,576	10,144
(Loss)/profit before tax	**(782)**	3,974	4,257	2,727
Income tax expense	**(1,764)**	(1,136)	(1,630)	(914)
(Loss)/profit for the year attributable to owners of the Company	**(2,546)**	2,838	2,627	1,813

CONSOLIDATED ASSETS AND LIABILITIES

	As at December 31,			
	2017	2016	2015	2014
	US$'000	US$'000	US$'000	US$'000
Total assets	**24,593**	25,083	24,065	11,366
Total liabilities	**5,157**	3,321	25,310	20,365
Total equity/(deficiency in assets)	**19,436**	21,762	(1,245)	(8,999)