Vobile Group Limited
阜博集團有限公司

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

2018

INTERIM REPORT

CONTENTS

In case of any inconsistency or conflict between the English and Chinese versions, the English version shall prevail.

CORPORATE INFORMATION

EXECUTIVE DIRECTORS[1]

Mr. Yangbin Bernard WANG ("Mr. Wang")
(Chairman and Chief Executive Officer)
Mr. Michael Paul WITTE ("Mr. Witte")

NON-EXECUTIVE DIRECTORS

Mr. Vernon Edward ALTMAN ("Mr. Altman") *(Vice Chairman)*
Mr. J David WARGO ("Mr. Wargo")
Mr. WONG Wai Kwan ("Mr. Wong")

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN King Man Kevin ("Mr. Chan")
Mr. James Alan CHIDDIX ("Mr. Chiddix")
Mr. Charles Eric EESLEY ("Mr. Eesley")

COMPANY SECRETARY

Mr. HO Sai Hong Vincent ("Mr. Ho")

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

P.O. Box 472, 2nd Floor, Harbour Place,
103 South Church Street,
George Town,
Grand Cayman KY1-1106,
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE US

2880 Lakeside Drive, Suite 360,
Santa Clara, CA 95054,
United States

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3712, 37/F,
Tower 2, Times Square,
1 Matheson Street,
Causeway Bay,
Hong Kong

AUTHORIZED REPRESENTATIVES

Mr. HO Sai Hong Vincent
Mr. WONG Wai Kwan

[1] Mr. Xianming Zhu ("Mr. Zhu") had served as an executive director of the Company until July 13, 2018.

CORPORATE INFORMATION

AUDITOR

Ernst & Young
22/F., CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

LEGAL ADVISERS

As to Hong Kong law:
King & Wood Mallesons
13/F, Gloucester Tower, The Landmark,
15 Queen's Road Central, Central,
Hong Kong

As to US law:
Pillsbury Winthrop Shaw Pittman LLP
2550 Hanover Street,
Palo Alto, CA 94304-1115,
United States

PRINCIPAL BANKERS

Silicon Valley Bank
The Hongkong and Shanghai Banking Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

International Corporation Services Ltd.
P.O. Box 472, 2nd Floor, Harbour Place,
103 South Church Street,
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22 Hopewell Centre,
183 Queen's Road East,
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COMPANY WEBSITE

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COMPLIANCE ADVISER

VBG Capital Limited
18/F., Prosperity Tower,
39 Queen's Road Central,
Hong Kong

STOCK CODE

3738

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND PROSPECT

In the first half of 2018, 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 a number of 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 pay per transaction ("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 a 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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.

Our second online PPT platform, TVOD PPT platform, 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.

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$570 billion in 2018 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 in terms of revenue will grow from approximately US$54 billion in 2018 to US$87 billion in 2021, a compound annual growth rate ("CAGR") of approximately 17%. In comparison, we expect the online video entertainment market in China will achieve a higher CAGR in revenue of approximately 26% between 2018 and 2021 compared to approximately 14% CAGR in the US during the same period.

The risks of piracy and copyright violation remain pervasive in the online video sector and online video content protection service providers not only helps the protection of video content, but can help facilitate critical business functions, including content identification, copyright protection and data intelligence. Online video sites after heavy negotiation usually need to spend large upfront guarantee fees to purchase content copyrights. Online video Revenue-Sharing Model enables online video sites to acquire large number of videos from content owners without significant upfront guarantee fees, 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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income Highlights

	Six months ended June 30, 2018 US$'000 (Unaudited)	2017 US$'000 (Audited)
Revenue	**7,370**	7,761
Gross profit	**5,862**	6,277
Profit before tax	**506**	158
Profit for the period attributable to owners of the Company	**200**	177

The following table reconciles our adjusted net profit for the period 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.

	Six months ended June 30, 2018 US$'000 (Unaudited)	2017 US$'000 (Audited)
Profit for the period attributable to owners of the Company	**200**	177
Add: Listing expenses, net of tax	**357**	1,250
Adjusted net profit	**557**	1,427

Interim Condensed Consolidated Statement of Financial Position Highlights

	June 30, 2018 US$'000 (Unaudited)	December 31, 2017 US$'000 (Audited)
Total assets	**50,513**	24,593
Total liabilities	**3,862**	5,157
Net assets	**46,651**	19,436
Total equity	**46,651**	19,436

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

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

	Six months ended June 30,	
	2018	2017
	US$'000	US$'000
Subscription-based SaaS business		
Content Protection	**4,850**	4,416
Content Measurement	**250**	302
Subtotal	**5,100**	4,718
Transaction-based SaaS business		
— Conventional PPT	**677**	1,116
— Online PPT	**1,593**	1,927
Subtotal	**2,270**	3,043
Total	**7,370**	7,761
Non-conventional PPT	**6,693**	6,645
Conventional PPT	**677**	1,116
Total	**7,370**	7,761

Our revenue for the six months ended June 30, 2018 amounted to US$7.4 million, representing a decrease of 5.0% or US$0.4 million as compared to the revenue for the six months ended June 30, 2017. Such decrease was mainly attributable to the decrease in revenue from our Conventional PPT business from US$1.1 million for the six months ended June 30, 2017 to US$0.7 million for the six months ended June 30, 2018 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 non-Conventional PPT business increased from US$6.6 million for the six months ended June 30, 2017 to US$6.7 million for the six months ended June 30, 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

Our gross profit for the six months ended June 30, 2018 amounted to US$5.9 million, representing a decrease of 6.6% or US$0.4 million as compared to the six months ended June 30, 2017. This was mainly attributed to the decrease in gross profit from our Conventional PPT business from US$0.6 million for the six months ended June 30, 2017 to US$0.2 million for the six months ended June 30, 2018 which resulted from the change in consumers' consumption patterns from renting movies from video stores to renting movies online.

Our gross profit margin decreased slightly from 80.9% for the six months ended June 30, 2017 to 79.5% for the six months ended June 30, 2018 as the hosting and storage costs are semi-variable in nature.

Selling and marketing expenses

Our selling and marketing expenses for the six months ended June 30, 2018 and June 30, 2017 remained stabled at US$2.2 million.

Administrative expenses

Our administrative expenses for the six months ended June 30, 2018 amounted to US$2.2 million, representing a decrease of 30.4% or US$1.0 million as compared to the six months ended June 30, 2017. The decrease was mainly due to the decrease in listing expenses incurred from US$2.0 million for the six months ended June 30, 2017 to US$0.4 million for the six months ended June 30, 2018.

Research and development expenses

Our research and development expenses for the six months ended June 30, 2018 and June 30, 2017 remained stable at US$0.8 million.

Income tax expense

Our income tax expenses mainly comprised of deferred tax expense resulted from the utilization of tax losses in the United States of US$0.3 million.

Profit for the period attributable to owners of the Company

The profit attributable to owners of the Company for the six months ended June 30, 2018 and 2017 remained stable at US$0.2 million. Excluding the listing expenses, our adjusted net profit was US$0.6 million (six months ended June 30, 2017: US$1.4 million).

Basic and diluted earnings per share for the six months ended June 30, 2018 were approximately US0.05 cent (six months ended June 30, 2017: US0.05 cent). Excluding the one-off listing expenses, net of tax, the adjusted basic and diluted earnings per share for the six months ended June 30, 2018 were approximately US0.13 cent (six months ended June 30, 2017: US0.43 cent and US0.42 cent, respectively). The Board of Directors (each a "Director") (the "Board") does not recommend any payment of dividends for the period ended June 30, 2018 (six months ended June 30, 2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

As of June 30, 2018, our cash and cash equivalents amounted to US$28.0 million, an increase of 363.5% or US$21.9 million as compared to December 31, 2017. The increase was primarily due to the receipt of proceeds raised from our global offering. As of June 30, 2018, our current assets amounted to US$40.6 million, including US$28.0 million of cash and cash equivalents and other current assets of US$12.7 million. Our current liabilities amounted to US$3.9 million, of which US$1.6 million was trade payables. As at June 30, 2018, our current ratio, which is equivalent to the current assets divided by the current liabilities, was 10.5 as compared with 2.8 as of December 31, 2017.

Significant Investments, Acquisitions and Disposals

During the six months ended June 30, 2018, we did not have any significant investments.

During the six months ended June 30, 2018, we had no material acquisitions or disposals.

Capital Expenditures

Our capital expenditures were primarily for expenditures for purchase of property, plant and equipment. The amount of our capital expenditures for the six months ended June 30, 2018 was US$0.15 million.

Indebtedness, contingent liabilities, off balance sheet commitments and arrangements and pledge of assets

As at June 30, 2018, 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 contingent liabilities, (iv) any material off-balance sheet arrangements, or (v) any unutilized banking facilities. We did not enter into any bank loan facilities as at June 30, 2018.

Foreign exchange exposure

Our transactions are mainly settled in United States dollars and Hong Kong dollars 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.

Gearing Ratio

As of June 30, 2018, we did not have any bank borrowings, and, therefore, gearing ratio was not applicable to our Group.

CORPORATE GOVERNANCE HIGHLIGHTS

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework for our Company (the "Company", together with its subsidiaries, the "Group") to formulate its business strategies and policies, and to enhance its transparency and accountability.

The shares of the Company were listed (the "Listing") on the Main Board of the Stock Exchange of Hong Kong Limited ("Stock Exchange") on January 4, 2018 (the "Listing Date"). 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 contained in Appendix 14 to the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the "Listing Rules") 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. 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 has been instrumental to our growth and business expansion since our establishment in 2005. The 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (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).

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 during the period from the Listing Date to June 30, 2018. The Company has made specific inquiries of relevant employees about their compliance with the guidelines on transactions of the Company's securities during the period from the Listing Date to June 30, 2018, without noticing any violation of the guidelines.

CORPORATE GOVERNANCE HIGHLIGHTS

REVIEW OF INTERIM REPORT

The Audit Committee comprises three independent non-executive Directors, namely, Mr. CHAN King Man Kevin, Mr. James Alan CHIDDIX and Mr. Charles Eric EESLEY, and two non-executive Directors, namely, Mr. J David WARGO and Mr. WONG Wai Kwan. The chairman of the Audit Committee is Mr. CHAN King Man Kevin.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended June 30, 2018 and this interim report and was of the opinion that such interim results and this report had been prepared in accordance with the relevant accounting standards and that adequate disclosures have been made in accordance with the requirements of the Listing Rules.

CHANGES IN DIRECTORS' INFORMATION

Mr. Altman, a non-executive Director, retired from Bain & Company, Inc. in June 2017 and has been designated as the vice chairman of the Board with effect from July 13, 2018.

Mr. Zhu had served as an executive Director of the Company until July 13, 2018.

Save as disclosed herein, during the period from the disclosure in the Company's 2017 annual report up to the date of this report, there had been no change in Director's information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth.

OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2018.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The shares of the Company were listed on the Main Board of the Stock Exchange on January 4, 2018. The net proceeds received by the Company from the global offering amounted to US$21.3 million after deducting underwriting commissions and all related expenses. 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.

As at June 30, 2018, the Company's total amount of proceeds used was approximately US$1.4 million, and the remaining net balance of proceeds was approximately US$19.9 million as at June 30, 2018, which has been kept at the bank accounts of the Group.

EMPLOYEE AND REMUNERATION POLICY

As at June 30, 2018, we employed a total of 61 staff (as at June 30, 2017: 62 staff). 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.

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 employees, Directors (i.e. a member of the Board who is not an employee), 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").

(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 June 30, 2018, the outstanding number of options available for issue under the Pre-IPO Share Option Scheme is 15,376,000 shares, representing 3.62% 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.

OTHER INFORMATION

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 June 30, 2018.

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[(1)]	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. Timothy John ERWIN	Senior Vice President of Sales and Customer Relations	US$0.125	800,000	April 25, 2017	0.19
Mr. Benjamin Russell 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 28 employees		US$0.125	3,776,000	April 25, 2017	0.91
Total			15,376,000		3.62

(1) Mr. Zhu had served as an executive Director of the Company until July 13, 2018 and the 400,000 share options granted to Mr. Zhu pursuant to the Pre-IPO Share Option Scheme were forfeited.

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 United States

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 Scheme in any 12-month period shall not exceed 1% of the relevant class of securities of our Company in issue.

As at June 30, 2018, the outstanding number of options available for issue under the Post-IPO Share Option Scheme is 41,317,453 shares, representing 9.72% 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.

OTHER INFORMATION

MANDATORY PROVIDENT FUND RETIREMENT BENEFIT SCHEME

The Group operates a defined contribution mandatory provident fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries or up to a maximum of HK$1,500 and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries or up to a maximum of HK$1,500. The employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65, death or total incapacity.

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

As of June 30, 2018, 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)	Approximate percentage of the issued share capital (%) (note 1)
Mr. Wang(2)	Beneficial owner; trustee of a trust; beneficiary of a trust	68,190,480 (L)	16.05
Mr. Witte(3)	Beneficial owner	1,600,000 (L)	0.38
Mr. Zhu(4)	Beneficial owner	641,668 (L)	0.15
Mr. Altman(5)	Beneficial owner	19,180,952 (L)	4.51
Mr. Wargo(6)	Beneficial owner	10,848,672 (L)	2.55
Mr. Wong(7)	Beneficial owner	600,000 (L)	0.14
Mr. Chiddix(8)	Beneficial owner	80,000 (L)	0.02

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. Mr. Zhu had served as an executive Director of the Company until July 13, 2018 and the 400,000 share options granted to Mr. Zhu pursuant to the Pre-IPO Share Option Scheme were forfeited.

(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.

Save as disclosed above, as of June 30, 2018, 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 six months ended June 30, 2018 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).

OTHER INFORMATION

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

As of June 30, 2018, 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 June 30, 2018, 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended June 30, 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Directors are pleased to announce that the Company's principal place of business in Hong Kong has been changed to Suite 3712, 37/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong with effect from August 27, 2018.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2018

	Notes	Six months ended June 30, 2018 US$'000 (Unaudited)	2017 US$'000 (Audited)
REVENUE	4	**7,370**	7,761
Cost of services provided		**(1,508)**	(1,484)
Gross profit		**5,862**	6,277
Other income and gains	4	**7**	68
Selling and marketing expenses		**(2,210)**	(2,157)
Administrative expenses		**(2,199)**	(3,161)
Including: Listing fees expensed		**(357)**	(2,046)
Research and development expenses		**(785)**	(834)
Other expenses		**(169)**	(35)
PROFIT BEFORE TAX	5	**506**	158
Income tax (expense)/credit	6	**(306)**	19
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		**200**	177
OTHER COMPREHENSIVE LOSS			
Exchange differences on translation of foreign operations		**(318)**	(1)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		**(318)**	(1)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(118)**	176
EARNINGS PER SHARE			
Basic, profit for the period attributable to ordinary and preference equity holders of the parent (US cent)	7	**0.05**	0.05
Diluted, profit for the period attributable to ordinary and preference equity holders of the parent (US cent)	7	**0.05**	0.05

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2018

	Notes	June 30, 2018 US$'000 (Unaudited)	December 31, 2017 US$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**443**	410
Goodwill		**6,839**	6,839
Deferred tax assets		**2,283**	2,585
Prepayments		**312**	405
Total non-current assets		**9,877**	10,239
CURRENT ASSETS			
Trade receivables	9	**7,575**	6,132
Prepayments, deposits and other receivables		**5,005**	2,191
Tax recoverable		**100**	—
Cash and cash equivalents		**27,956**	6,031
Total current assets		**40,636**	14,354
CURRENT LIABILITIES			
Trade payables	10	**1,587**	1,702
Other payables and accruals		**2,275**	3,455
Total current liabilities		**3,862**	5,157
NET CURRENT ASSETS		**36,774**	9,197
Net assets		**46,651**	19,436
EQUITY			
Share capital		**42**	8
Reserves		**46,609**	19,428
Total equity		**46,651**	19,436

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2018

	Attributable to owners of the Company							
	Share capital US$'000	Share premium* US$'000	Merger reserve* US$'000	Other reserve* US$'000	Share option reserve* US$'000	Exchange fluctuation reserve* US$'000	Retained profits/ (accumulated losses)* US$'000	Total equity US$'000
As at January 1, 2018	8	–	376	25,686	225	25	(6,884)	19,436
Profit for the period	–	–	–	–	–	–	200	200
Exchange differences related to foreign operations	–	–	–	–	–	(318)	–	(318)
Total comprehensive income for the period	–	–	–	–	–	(318)	200	(118)
Equity-settled share option arrangements	–	–	–	–	107	–	–	107
Issue of shares	9	30,242	–	–	–	–	–	30,251
Share issue expenses	–	(3,025)	–	–	–	–	–	(3,025)
Capitalization issue	25	(25)	–	–	–	–	–	–
As at June 30, 2018	42	27,192	376	25,686	332	(293)	(6,684)	46,651

	Attributable to owners of the Company						
	Share capital US$'000	Merger reserve* US$'000	Other reserve* US$'000	Share option reserve* US$'000	Exchange fluctuation reserve* US$'000	Retained profits/ (accumulated losses)* US$'000	Total equity US$'000
As at January 1, 2017	8	376	25,686	–	30	(4,338)	21,762
Profit for the period	–	–	–	–	–	177	177
Other comprehensive loss for the period: Exchange differences related to foreign operations	–	–	–	–	(1)	–	(1)
Total comprehensive income for the period	–	–	–	–	(1)	177	176
Equity-settled share option arrangements	–	–	–	58	–	–	58
As at June 30, 2017	8	376	25,686	58	29	(4,161)	21,996

* These reserve accounts comprise the consolidated reserves of US$46,609,000 and US$21,988,000 in the consolidated statements of financial position as at June 30, 2018 and 2017, respectively.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2018

	Notes	Six months ended June 30, 2018 US$'000 (Unaudited)	2017 US$'000 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**506**	158
Adjustments for:			
Interest Income	4	**(7)**	—
Depreciation		**114**	117
Equity-settled share option expense		**107**	58
		720	333
(Increase)/decrease in trade receivables		**(1,443)**	709
Increase in prepayments, deposits and other receivables		**(1,638)**	(967)
Decrease in other payables		**(40)**	(29)
Increase/(decrease) in accruals, deferred income and payroll and welfare accruals		**(1,444)**	1,890
Increase/(decrease) in trade payables		**(115)**	74
Cash (used in)/generated from operations		**(3,960)**	2,010
Interest received		**7**	—
Overseas taxes paid		**(104)**	(132)
Net cash flows (used in)/from operating activities		**(4,057)**	1,878
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(147)**	—
Increase in loan receivables		**(1,083)**	—
Net cash flows used in investing activities		**(1,230)**	—
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares		**27,530**	—
Capital element of finance lease rental payments		**—**	(1)
Net cash flows from/(used in) financing activities		**27,530**	(1)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**22,243**	1,877
Cash and cash equivalents at beginning of period		**6,031**	7,139
Effect of foreign exchange rate changes, net		**(318)**	(1)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**27,956**	9,015
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**27,956**	9,015

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2018

1. CORPORATE 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 period, the Group was 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 on January 4, 2018.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended June 30, 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2017.

The interim condensed consolidated financial information is presented in United States dollars ("US$") and all values are rounded to nearest thousand except when otherwise indicated.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2017, except for the adoption of new standards and interpretations effective as of January 1, 2018.

The Group applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* that require restatement of previous financial statements. As required by IAS 34, the nature and effect to these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 9 Financial Instruments replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (Continued)

2.2 New standards, interpretations and amendments adopted by the Group (Continued)

(a) Classification and measurement

Except for certain trade receivables, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortized cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion'). The new classification and measurement have no material impact on the Group.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognized in the statement of profit or loss and other comprehensive income.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (Continued)

2.2 New standards, interpretations and amendments adopted by the group (Continued)

(b) Impairment (Continued)

No additional impairment for trade and other receivables as at January 1, 2018 is recognized as the amount of additional impairment measured under the ECLs model is insignificant.

The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by IAS 39.

The Group has applied IFRS 9 retrospectively, with the initial application date of January 1, 2018 and adjusting the comparative information for the period beginning January 1, 2017. The Group has performed an assessment and concluded that no material financial impact exists and therefore no adjustment to the opening balances at January 1, 2018 was recognized.

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a 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 standard requires entities to exercise judgement, and to take into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The adoption of IFRS 15 has had no material impact on the Group's consolidated financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	Six months ended June 30,	
	2018	2017
	US$'000	US$'000
United States	**6,941**	7,267
Japan	**333**	333
Other countries and regions	**96**	161
	7,370	7,761

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 further geographical information of segment assets is presented.

4. REVENUE AND OTHER INCOME AND GAINS

Revenue represents the value of services rendered during the period.

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

	Six months ended June 30,	
	2018	2017
	US$'000	US$'000
Revenue		
Rendering of services	**7,370**	7,761
Other income and gains		
Interest income	**7**	19
Foreign exchange gain	**—**	31
Others	**—**	18
	7	68

5. PROFIT BEFORE TAX

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

	Six months ended June 30,	
	2018	2017
	US$'000	US$'000
Cost of services provided	**1,508**	1,484
Employee benefit expense (excluding Directors' and chief executive's remuneration		
Wages and salaries	**2,708**	2,755
Equity-settled share option expense	**36**	18
Other benefits	**188**	174
Pension scheme contributions	**5**	2
	2,937	2,949
Depreciation of items of property, plant and equipment	**114**	117
Minimum lease payments under operating leases	**318**	191
Impairment of trade receivables	**37**	28
Research and development expenses	**785**	834
Auditor's remuneration		
— Statutory audit	**79**	1
— Listing fees expensed	**—**	317
Other listing fees expensed	**357**	1,729
Foreign exchange differences, net	**101**	(31)

6. INCOME TAX EXPENSE/(CREDIT)

Income tax consists primarily of the United States, Hong Kong and Japan enterprise income tax charged on the Group. United States income tax applicable to the Group during the six months ended June 30, 2018 was at the federal tax rate of 21% (2017: 34%). No Hong Kong profits tax has been provided for as the Group has no assessable profits generated in Hong Kong for the period (2017: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

The major components of income tax expense/(credit) for the six months ended June 30 are as follows:

	Six months ended June 30,	
	2018	2017
	US$'000	US$'000
Current — United States		
Charge for the period	**2**	40
Current — Japan		
Charge for the period	**2**	2
Deferred tax expenses — Others	**302**	(61)
Total tax expense/(credit) for the period	**306**	(19)

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY AND PREFERENCE EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary and preference equity holders of the Company, and the weighted average number of ordinary and preference shares in issue during the six months ended June 30, 2018 and 2017.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary and preference equity holders of the Company. The weighted average number of ordinary and preference shares used in the calculation is the number of ordinary and preference shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all diluted potential ordinary shares into ordinary shares.

	Six months ended June 30,	
	2018	2017
	US$'000	US$'000
Earnings		
Profit attributable to ordinary and preference equity holders of the Company, used in the basic earnings per share calculation	**200**	177
Shares		
Weighted average number of ordinary and preference shares in issue during the period used in the basic earnings per share calculation	**422,385,033**	333,174,536
Effect of dilution — Weighted average number of ordinary shares:	**8,830,642**	3,213,063
Weighted average number of ordinary and preference share options for the purpose of diluted earnings per share calculation	**431,215,675**	336,387,599

8. DIVIDENDS

The Board does not recommend payment of any dividend for the period ended June 30, 2018 (2017: Nil).

9. TRADE RECEIVABLES

	June 30, 2018 US$'000	December 31, 2017 US$'000
Trade receivables	**7,611**	6,180
Impairment	**(36)**	(48)
	7,575	6,132

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 minimise 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, based on the invoice date and net of provisions, is as follows:

	June 30, 2018 US$'000	December 31, 2017 US$'000
Within 90 days	**3,224**	3,718
91 to 180 days	**1,157**	1,670
181 to 365 days	**3,126**	744
1 to 2 years	**68**	—
	7,575	6,132

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

	June 30, 2018 US$'000	December 31, 2017 US$'000
At beginning of period/year	**48**	40
Impairment losses recognized	**37**	39
Amount written off as uncollectible	**(49)**	(31)
At end of period/year	**36**	48

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of US$36,000 and US$48,000 with a carrying amount before provision of US$36,000 and US$48,000 as at June 30, 2018 and December 31, 2017, respectively.

9. 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:

	June 30, 2018 US$'000	December 31, 2017 US$'000
Neither past due nor impaired	**2,835**	4,333
Within 90 days	**1,456**	1,520
91 to 180 days	**1,501**	279
181 to 365 days	**1,783**	—
	7,575	6,132

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.

10. TRADE PAYABLES

	June 30, 2018 US$'000	December 31, 2017 US$'000
Within 90 days	**1,587**	1,702

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

11. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

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.

12. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited interim condensed consolidated financial information were approved and authorised for issue by the board of Directors on August 30, 2018.