Vobile Group Limited
阜博集團有限公司

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

2019
INTERIM REPORT

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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

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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

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,
George Town,
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54 Hopewell Centre,
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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 2019, we progressed on our strategy to further strengthen our global leadership position in online video content protection, with the objective of deploying and growing our innovative online video distribution platform through a revenue-sharing model. Our customers include some of the world's largest film studios, including the top seven global majors — along with many other — film studios, TV networks and other content owners. Through our proprietary software platforms, we help our 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 customers measure the viewership of their content. Our business model can be categorized as:

- Subscription-based 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, 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. VideoTracker provides critical protection to ensure exclusive delivery of premium content to theaters, set-top-boxes and smart devices worldwide. MediaWise enables publishers to manage digital media content to eliminate copyright infringements and help increase business opportunities. In today's content distribution market, Direct to Consumer ("DTC") business has become the strategic priority for film studios and TV entertainment companies. Online piracy will induce the loss of paid subscribers and result in direct loss of revenue. Content protection is of great importance to DTC business and has become an operational priority. We are committed to investing in new capabilities based on our VDNA technology, including our VDNA algorithm and video search and discovery capability, 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.

We intend to acquire new customers and utilize 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 are opportunities for our current customers to elect to have us protect more of their content, and to leverage Vobile to search for potentially infringing content on additional content-sharing platforms.

On November 19, 2018, we completed the acquisition of certain assets from IP-Echelon Pty. Ltd., IP88 Research Pty. Ltd. (collectively, "IP-Echelon") and their controlling shareholder to acquire primarily intangible assets, including but not limited to all of their computer software, their underlying source codes, copyrights and trademarks.

The acquisition provides Vobile with access to an attractive research and product development talent pool in Australia as well as product and geographic growth opportunities. The acquisition supports our focus on solidifying our leadership position in content protection globally and strengthens our ability to provide comprehensive solutions against any emerging threats of content piracy online

MANAGEMENT DISCUSSION AND ANALYSIS

Content measurement platforms

Our content measurement platforms consist primarily of TV Ad Tracking and Analysis and mSync. TV Ad Tracking and Analysis identifies and tracks advertisements, logos, and graphics across broadcast networks to help brands interpret ad data and validate content runs. mSync enables programming executives to create interactive shows that engage viewers using 2nd screen technology on mobile devices.

Advertisers are increasingly focused on integrating their products directly into video content in order to capture the attention of their target audiences and utilize a data-driven approach to measure the effectiveness of their marketing spend. 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 and 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 our 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 under an advertising-based revenue 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 that offer access to content on a rental or sell-through basis. We intend to grow our TVOD PPT platform and business by obtaining licensing rights to high-quality, long-form video content, and support the offering with our proprietary advanced measurement and auditing capabilities. We are developing partnerships that will result in a network of online video sites that will offer our licensed video content to end user consumers. Under this business model, content owners and online video sites are able to benefit from the monetization of entertainment studio library content in a new distribution channel, while assuming little to no business risk because of Vobile's underlying content protection and measurement capabilities.

Industry Outlook and the Group's Strategies

The advancement of video distribution technology and content digitization is a powerful force driving the online video entertainment market, providing consumers with abundant choice, easy access and flexible pricing models. The global video entertainment market size is estimated to grow from approximately US$590 billion in 2019 to approximately US$633 billion in 2021. We further believe the global online video entertainment market will grow from approximately US$64 billion in 2019 to US$87 billion in 2021, representing a compound annual growth rate ("CAGR") of approximately 11%. In comparison, we expect the online video entertainment market in China will grow from approximately US$14.8 billion in 2019 to US$23 billion in 2021, representing a CAGR of 16% compared to approximately 9% 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. Online video content protection service providers like Vobile protect video content that can help facilitate critical business functions, including content identification, copyright protection and data intelligence. Because of the pervasive piracy of valuable online video content, content owners make up for this lost revenue be requiring online video distributors typically to commit large up front guaranteed fees to license copyrighted content. Our TVOD platform uses a revenue-sharing model that enables these distributors to access content without requiring upfront guarantees, instead sharing a portion of revenue generated from advertisement (AVOD) and/or consumer pay-per-view fees (TVOD). Due to the inherently lower cost and lower financial risk, the online video revenue-sharing model has achieved rapid expansion. Important to the proliferation of the TVOD model is the application of video measurement technology which measures video advertising performance and audience information. Operators are therefore devoting more attention to building these capabilities into their platforms and we believe technologies like Vobile's are 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, other countries and regions
- Pursue business expansion via strategic alliances and acquisitions

FINANCIAL REVIEW

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

	Six months ended June 30,	
	2019	2018
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Revenue	**8,072**	7,370
Gross profit	**6,588**	5,862
(Loss)/profit before tax	**(1,433)**	506
(Loss)/profit for the period attributable to owners of the Company	**(1,111)**	200
Adjusted net profit	**55**	557

MANAGEMENT DISCUSSION AND ANALYSIS

Adjusted net profit

The Group defines its adjusted net profit as its (loss)/profit for the period after adjusting for those items which are not indicative of the Group's operating performances (as presented in the table below). This is not a IFRSs measure. The Group has presented this item because the Group considers it an important supplemental measure of the Group's operational performance used by the Group's management as well as analysts or investors. The following table shows profit and adjusted net profit of the Group for the periods presented below:

	Six months ended June 30,	
	2019	2018
	US$'000	US$'000
	(Unaudited)	(Unaudited)
(Loss)/profit for the period attributable to owners of the Company	**(1,111)**	200
Add:		
Transaction costs for proposed acquisition	**1,079**	—
Impact of adoption of IFRS 16	**87**	—
Listing expenses	**—**	357
Adjusted net profit	**55**	557

Interim Condensed Consolidated Statement of Financial Position Highlights

	June 30, 2019	December 31, 2018
	US$'000	US$'000
	(Unaudited)	(Audited)
Total assets	**47,875**	50,836
Total liabilities	**6,316**	7,003
Net assets	**41,559**	43,833
Total equity	**41,559**	43,833

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,	
	2019	2018
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Subscription-based SaaS business		
Content Protection	**5,780**	4,850
Content Measurement	**519**	250
Subtotal	**6,299**	5,100
Transaction-based SaaS business		
— Conventional PPT	**364**	677
— Online PPT	**1,409**	1,593
Subtotal	**1,773**	2,270
Total	**8,072**	7,370
Businesses other than conventional PPT business	**7,708**	6,693
Conventional PPT business	**364**	677
Total	**8,072**	7,370

Our revenue for the six months ended June 30, 2019 amounted to US$8.1 million, representing an increase of US$0.7 million, or 9.5%, as compared to the revenue for the six months ended June 30, 2018. The increase was mainly attributable to the increase of revenue from subscription-based SaaS business by US$1.2 million, or 23.5% from US$5.1 million for the six months ended June 30, 2018 to US$6.3 million for the six months ended June 30, 2019, benefited by the incorporation of the technology acquired from IP-Echelon into our content protection products.

Gross Profit and Gross Profit Margin

Our gross profit for the six months ended June 30, 2019 amounted to US$6.6 million, representing an increase of US$0.7 million as compared to the six months ended June 30, 2018. The increase was mainly attributed to the increase of revenue from our content protection product.

Our gross profit margin increased slightly from 79.5% for the six months ended June 30, 2018 to 81.6% for the six months ended June 30, 2019. The increase of gross profit margin was mainly attributed by the increase of efficiency of our hosting and storage costs and the hosting and storage costs are semi-variable in nature.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and marketing expenses

Our selling and marketing expenses for the six months ended June 30, 2019 amounted to US$3.7 million, representing an increase of US$1.4 million as compared to the six months ended June 30, 2018. The increase was mainly due to the increase of sales and marketing initiatives in the current period, including hiring of Mr. Michael Grindon, former head of Worldwide Television Distribution for Legendary Entertainment's TV division, as a special advisor to CEO, for accelerating the development of our TVOD products and acquiring the contents for our TVOD products.

Administrative expenses

Our administrative expenses for the six months ended June 30, 2019 amounted to US$3.4 million, representing an increase of US$1.2 million as compared to the six months ended June 30, 2018. The increase was mainly due to the transaction costs incurred for the proposed very substantial acquisition of assets from ZEFR, Inc.

Research and development expenses

Our research and development expenses for the six months ended June 30, 2019 amounted to US$1.0 million, representing an increase of US$0.2 million as compared to the six months ended June 30, 2018. The increase was mainly due to the expansion of our research and development capability.

Finance costs

Finance costs for the six months ended June 30, 2019 amounted to US$23,000 represents interest expense of lease liabilities resulted from the adoption of the revised IFRS 16 — *leases*.

Income tax credit/(expense)

Our income tax credit/(expense) mainly comprised of deferred tax credit resulted from increase of tax losses in the United States of US$0.3 million.

(Loss)/profit for the period attributable to owners of the Company

The loss attributable to owners of the Company for the six months ended June 30, 2019 amounted to US$1.1 million, the loss was mainly attributed by the incurrence of transaction costs for the proposed very substantial acquisition of assets from ZEFR, Inc. of US$1.1 million, increase of sales and marketing initiative for our TVOD product and expansion of our research and development capability.

Basic and diluted loss per share for the six months ended June 30, 2019 were approximately US0.26 cent (basic and diluted earnings per share for the six months ended June 30, 2018: US0.05 cent). The Board does not recommend any payment of dividends for the period ended June 30, 2019 (six months ended June 30, 2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

As of June 30, 2019, our cash and cash equivalents amounted to US$10.2 million. As of June 30, 2019, our current assets amounted to US$23.6 million, including US$10.2 million of cash and cash equivalents and other current assets of US$13.4 million. Our current liabilities amounted to US$5.8 million, of which US$1.6 million was trade payables. As at June 30, 2019, our current ratio, which is equivalent to the current assets divided by the current liabilities, was 4.1 as compared with 4.1 at December 31, 2018.

Significant Investments, Acquisitions and Disposals

During the six months ended June 30, 2019, we did not have any significant investment.

During the six months ended June 30, 2019, we had no material acquisition or disposal.

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, 2019 was US$0.04 million.

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

As at June 30, 2019, 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, 2019.

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, 2019, 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 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.

During the six months ended June 30, 2019, the Company has applied the principles as set out in the Corporate Governance Code ("CG Code") which are applicable to the Company.

In the opinion of the Directors, during the six months ended June 30, 2019, 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. 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 six months ended June 30, 2019. 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.

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, 2019 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.

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, 2019.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

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 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, 2019, the Company's total amount of proceeds used was approximately US$13.5 million, and the remaining net balance of proceeds was approximately US$7.8 million, which were being kept at the bank accounts of the Group as at June 30, 2019.

EMPLOYEE AND REMUNERATION POLICY

As at June 30, 2019, we employed a total of 70 staff (as at June 30, 2018: 61 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.

OTHER INFORMATION

(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, 2019, the outstanding number of options available for issue under the Pre-IPO Share Option Scheme is 14,496,000 shares, representing 3.41% 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 June 30, 2019.

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. 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			9,000,000		2.11

OTHER INFORMATION

Grantee	Position Held	Exercise Price	Number of Shares under the Pre-IPO	Date of Grant	Approximate Percentage (%)
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 24 employees		US$0.125	3,296,000	April 25, 2017	0.79
Total			14,496,000		3.41

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.

OTHER INFORMATION

(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, 2019, 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

SHARE AWARD SCHEME

The following is a summary of all the principal terms of the share award scheme ("Share Award Scheme") adopted by the Board on May 6, 2019 ("Adoption Date of Share Award Scheme").

(a) Purpose of the Share Award Scheme

The purposes of the Share Award Scheme are to (a) incentivize, recognize and reward the contributions of certain Eligible Persons to the growth and development of the Group; (b) attract and retain personnel to promote the long-term growth and development of the Group; and (c) align the interests of the Award Holders with those of the Shareholders to promote the long-term financial performance of the Company.

(b) Eligibility

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 Share Award Scheme.

(c) Total Number of Shares Available for Issue under the Share Award Scheme

The Board shall not make any further Award if to do so would result in the aggregate number of the Shares awarded under the Share Award Plan exceed 10% of the issued share capital of the Company at any given time.

Where any grant of Award to a Selected Person would result in the aggregate of:

(a) the number of Awarded Shares underlying all Awards (whether vested or not); and

(b) the number of Shares issued and to be issued upon exercise of options (whether exercised or outstanding) under any share option scheme adopted by the Company from time to time, granted to such Selected Person in the 12-month period up to and including the date of grant of such Award exceeding 1% of the Shares in issue as at the date of grant of such Award, the Award shall be subject to approval by the Shareholders in a general meeting.

As at June 30, 2019, the outstanding number of options available for issue under the Share Award Scheme is 42,487,453 shares, representing 10% of the issued share capital of the Company.

(d) Duration of the Share Award Scheme

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

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

OTHER INFORMATION

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, 2019, 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. Altman(4)	Beneficial owner	19,180,952 (L)	4.51
Mr. Wargo(5)	Beneficial owner	10,848,672 (L)	2.55
Mr. Wong(6)	Beneficial owner	600,000 (L)	0.14
Mr. Chiddix(7)	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. 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.

(5) 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.

(6) 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.

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

OTHER INFORMATION

Save as disclosed above, as of June 30, 2019, 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, 2019 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 of June 30, 2019, 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 (%)**
Leading Season Limited(2)	Beneficial owner	34,857,144 (L)	8.20
Wealth Ride Limited(2)	Interest in a controlled corporation	34,857,144 (L)	8.20
Guo Shaomu(2)	Interest in a controlled corporation	34,857,144 (L)	8.20
Steamboat Ventures II, LLC(3)	Beneficial owner	33,862,027 (L)	8.79
Steamboat Ventures Manager II, LLC(3)	Interest in a controlled corporation	33,989,484 (L)	8.82
John BALL(3)	Interest in a controlled corporation	33,989,484 (L)	8.82
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
EDB Investments Pte Ltd(5)	Beneficial owner	24,000,000 (L)	5.65
EDBI Pte Ltd.(5)	Interest in a controlled corporation	24,000,000 (L)	5.65
Economic Development Board of Singapore(5)	Interest in a controlled corporation	24,000,000 (L)	5.65

OTHER INFORMATION

Notes:

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

(2) Leading Season Limited is wholly owned by Wealth Ride Limited, which is wholly owned by Guo Shaomu. Under the SFO, Guo Shaomu is deemed to be interested in the Shares held by Leading Season Limited.

(3) 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 33,862,027 Shares and 127,457 Shares, respectively, and Steamboat Ventures Manager II, LLC is deemed to be interested in 33,989,484 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.

(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) 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, 2019, 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, 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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

For the six months ended June 30, 2019

	Notes	2019 (Unaudited) US$'000	2018 (Unaudited) US$'000
REVENUE	4	8,072	7,370
Cost of services provided		(1,484)	(1,508)
Gross profit		6,588	5,862
Other income and gains	4	150	7
Selling and marketing expenses		(3,653)	(2,210)
Administrative expenses		(3,378)	(2,199)
Research and development expenses		(999)	(785)
Finance costs		(23)	—
Other expenses		(118)	(169)
(LOSS)/PROFIT BEFORE TAX	5	(1,433)	506
Income tax credit/(expense)	6	322	(306)
(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		(1,111)	200
OTHER COMPREHENSIVE INCOME/(LOSS)			
Exchange differences on translation of foreign operations		6	(318)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		6	(318)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		(1,105)	(118)
(LOSS)/EARNINGS PER SHARE			
Basic, (loss)/profit for the period attributable to ordinary equity holders of the parent (US cent)	7	(0.26)	0.05
Diluted, (loss)/profit for the period attributable to ordinary equity holders of the parent (US cent)	7	(0.26)	0.05

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2019

	Notes	June 30, 2019 (Unaudited) US$'000	December 31, 2018 (Audited) US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	440	598
Right-of-use assets		1,427	—
Intangible assets		5,949	5,340
Goodwill		13,622	13,622
Deferred tax assets		2,716	2,376
Prepayments		101	167
Total non-current assets		24,255	22,103
CURRENT ASSETS			
Trade receivables	10	6,994	8,156
Prepayments, deposits and other receivables		5,983	2,556
Tax recoverable		398	380
Cash and cash equivalents		10,245	17,641
Total current assets		23,620	28,733
CURRENT LIABILITIES			
Trade payables	11	1,596	2,618
Lease liabilities		983	—
Other payables and accruals		3,242	4,385
Total current liabilities		5,821	7,003
NET CURRENT ASSETS		17,799	21,730
TOTAL ASSETS LESS CURRENT LIABILITIES		42,054	43,833
NON-CURRENT LIABILITIES			
Lease liabilities		495	—
Total non-current liabilities		495	—
Net assets		41,559	43,833
EQUITY			
Share capital		42	42
Treasury shares	12	(1,275)	—
Reserves		42,792	43,791
Total equity		41,559	43,833

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2019

	Attributable to owners of the Company								
	Share capital US$'000	**Treasury shares US$'000**	**Share premium* US$'000**	**Merger reserve* US$'000**	**Other reserve* US$'000**	**Share option reserve* US$'000**	**Exchange fluctuation reserve* US$'000**	**Accumulated losses* US$'000**	**Total equity US$'000**
At January 1, 2019 (audited)	**42**	**—**	**27,192**	**376**	**25,686**	**463**	**(540)**	**(9,386)**	**43,833**
Loss for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,111)**	**(1,111)**
Exchange differences related to foreign operations	**—**	**—**	**—**	**—**	**—**	**—**	**6**	**—**	**6**
Total comprehensive loss for the period	**—**	**—**	**—**	**—**	**—**	**—**	**6**	**(1,111)**	**(1,105)**
Shares purchased under share award scheme (note 12)	**—**	**(1,275)**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,275)**
Equity-settled share option arrangements	**—**	**—**	**—**	**—**	**—**	**106**	**—**	**—**	**106**
At June 30, 2019 (unaudited)	**42**	**(1,275)**	**27,192**	**376**	**25,686**	**569**	**(534)**	**(10,497)**	**41,559**

	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
At January 1, 2018 (audited)	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 loss 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)	—	—	—	—	—	—
At June 30, 2018 (unaudited)	42	27,192	376	25,686	332	(293)	(6,684)	46,651

* These reserve accounts comprise the consolidated reserves of US$42,792,000 and US$46,609,000 in the consolidated statements of financial position as at June 30, 2019 and 2018, respectively.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2019

	Notes	2019 (Unaudited) US$'000	2018 (Unaudited) US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(1,433)	506
Adjustments for:			
Interest Income	4	(92)	(7)
Finance costs		23	—
Depreciation of items of property, plant and equipment		166	114
Depreciation of right-of-use assets		543	—
Impairment on trade receivables		58	—
Equity-settled share option expense		106	107
		(629)	720
Decrease/(increase) in trade receivables		1,104	(1,443)
Increase in prepayments, deposits and other receivables		(3,435)	(1,638)
Decrease in other payables		(306)	(40)
Decrease in accruals, deferred income and payroll and welfare accruals		(837)	(1,444)
Decrease in trade payables		(1,022)	(115)
Cash used in operations		(5,125)	(3,960)
Interest received		166	7
Overseas taxes paid		(36)	(104)
Net cash flows used in operating activities		(4,995)	(4,057)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		(8)	(147)
Purchase of intangible assets		(609)	—
Increase in loan receivables		—	(1,083)
Net cash flows used in investing activities		(617)	(1,230)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares		—	27,530
Purchase of shares held under share award scheme		(1,275)	—
Principle portion of lease payments		(515)	—
Net cash flows (used in)/from financing activities		(1,790)	27,530
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(7,402)	22,243
Cash and cash equivalents at beginning of period		17,641	6,031
Effect of foreign exchange rate changes, net		6	(318)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		10,245	27,956
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		5,630	27,956
Time deposits with original maturity of less than three months when acquired		4,615	—
Cash and cash equivalents as stated in the statement of cash flows		10,245	27,956

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

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").

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

2.1 Basis of Preparation

The interim condensed consolidated financial information for the six months ended June 30, 2019 has been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does 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, 2018. 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 Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2018, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs") effective as of January 1, 2019.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015–2017 Cycle	*Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23*

Other than as explained below regarding the impact of IFRS 16 Leases, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised IFRS is described below:

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 account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at January 1, 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

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

2.2 Changes in Accounting Policies and Disclosures (Continued)

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for land and buildings. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognize and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognize right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognizes the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at January 1, 2019 were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at January 1, 2019 and included in interest-bearing bank and other borrowings.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognized in the statement of financial position immediately before January 1, 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

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

2.2 Changes in Accounting Policies and Disclosures (Continued)

As a lessee — Leases previously classified as operating leases (continued)

Impacts on transition (continued)

The Group has used the following elective practical expedients when applying IFRS 16 at January 1, 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Accounted for the leases which the lease term ends within 12 months of the date of initial application in the same way as short-term leases, and included the cost associated with these leases within the disclosure of short-term lease expenses

The impacts arising from the adoption of IFRS 16 as at January 1, 2019 are as follows:

	Increase/ (decreased) US$'000 (Unaudited)
Assets	
Increase in right-of-use assets	1,796
Decrease in prepayments, other receivables and other assets	(36)
Increase in total assets	1,760
Liabilities	
Increase in lease liabilities	1,760

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

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

2.2 Changes in Accounting Policies and Disclosures (Continued)

As a lessee — Leases previously classified as operating leases (continued)

Impacts on transition (continued)

The lease liabilities as at January 1, 2019 reconciled to the operating lease commitments as at December 31, 2018 is as follows:

	US$'000 (Unaudited)
Operating lease commitments as at December 31, 2018	2,131
Weighted average incremental borrowing rate as at January 1, 2019	3.29%
Discounted operating lease commitments at January 1, 2019	2,064
Less:	
Commitments relating to short-term leases and those leases with a remaining lease term ending on or before December 31, 2019	304
Lease liabilities as at January 1, 2019	1,760

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended December 31, 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from January 1, 2019:

Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

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

2.2 Changes in Accounting Policies and Disclosures (Continued)

Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognized in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right of use assets US$'000 (Unaudited)	Lease liabilities US$'000 (Unaudited)
As at January 1, 2019	1,760	1,760
Addition	210	210
Depreciation charge	(543)	—
Interest expense	—	23
Payments	—	(515)
As at June 30, 2019	1,427	1,478

The Group recognized leasing expenses from short-term leases of US$205,000 for the six months ended June 30, 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

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 monetize their content. 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

	For the six months ended June 30, 2019 US$'000 (Unaudited)	2018 US$'000 (Unaudited)
United States	**7,122**	6,941
Japan	**588**	333
Mainland China	**290**	—
Other countries and regions	**72**	96
	8,072	7,370

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

(b) Non-current assets

Majority of 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, OTHER INCOME AND GAINS

Revenue represents the value of services rendered during the period.

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

	For the six months ended June 30, 2019 US$'000 (Unaudited)	2018 US$'000 (Unaudited)
Revenue		
Rendering of services	**8,072**	7,370
Other income and gains		
Interest income	**92**	7
Foreign exchange gain	**58**	—
	150	7

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

5. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended June 30,	
	2019	2018
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Cost of services provided	**1,484**	1,508
Employee benefit expense (excluding Directors' and chief executive's remuneration)		
Wages and salaries	**3,095**	2,708
Equity-settled share option expense	**31**	36
Other benefits	**286**	188
Pension scheme contributions	**16**	5
	3,428	2,937
Depreciation of items of property, plant and equipment	**166**	114
Impairment of trade receivables	**58**	37
Research and development expenses	**999**	785
Auditor's remuneration	**84**	79
Listing fees expensed off	**—**	357
Foreign exchange differences, net	**21**	101

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

6. INCOME TAX (CREDIT)/EXPENSE

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, 2019 is at the federal tax rate of 21% (2018: 21%). No Hong Kong profits tax has been provided for as the Group has no assessable profits generated in Hong Kong for the period (2018: 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 (credit)/expense for the six months ended June 30 are as follows:

	For the six months ended June 30,	
	2019	2018
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Current — United States		
Charge for the period	**2**	2
Current — Japan		
Charge for the period	**14**	2
Deferred tax (credit)/expenses	**(338)**	302
Total tax (credit)/expense for the period	**(322)**	306

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

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

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/profit attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the six months ended June 30, 2019 and 2018.

The calculation of the diluted (loss)/earnings per share amounts is based on the (loss)/profit for the period attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic (loss)/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.

	For the six months ended June 30,	
	2019	2018
	US$'000	US$'000
	(Unaudited)	(Unaudited)
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the Company, used in the basic (loss)/earnings per share calculation	**(1,111)**	200
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation	**424,209,851**	422,385,033
Effect of dilution — Weighted average number of ordinary shares	**9,035,971**	8,830,642
Weighted average number of ordinary share options for the purpose of diluted earnings per share calculation	**433,245,822***	431,215,675

* Because the diluted earnings per share amount is increased when taking share options into account, the share options had an anti-dilutive effect on the basic loss per share for the period and were ignored in the calculation of diluted loss per share. Therefore, the diluted loss per share amounts are based on the loss for the period of US$1,111,000, and the weighted average number of ordinary shares of 424,209,851 in issue during the period.

8. DIVIDENDS

The Board does not recommend payment of any dividend for the period ended June 30, 2019 (2018: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2019, the Group purchased items of property, plant and equipment with a cost of US$8,000 (June 30, 2018: US$147,000).

No asset was disposed by the Group during the six months ended June 30, 2019 (June 30, 2018: nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

10. TRADE RECEIVABLES

An ageing analysis of the current trade receivables as at June 30, 2019, based on the invoice date and net of loss allowance, is as follows:

	June 30, 2019 US$'000 (Unaudited)	December 31, 2018 US$'000 (Audited)
Within 90 days	**2,592**	3,675
91 to 180 days	**1,791**	1,345
181 to 365 days	**2,611**	2,106
Over 365 days	**—**	1,030
	6,994	8,156

11. TRADE PAYABLES

	June 30, 2019 US$'000 (Unaudited)	December 31, 2018 US$'000 (Audited)
Within 90 days	**1,596**	2,618

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

12. TREASURY SHARES

On May 6, 2019, the Board adopted a 10-year share award scheme (the "Scheme") to incentivize selected employees, directors, consultants or advisors ("Selected Participants") for their contributions to the Group and to attract suitable personnel for further development of the Group.

Pursuant to the Scheme, the ordinary shares of US$0.0001 each in the capital of the Company will be acquired by the trustee at the cost of the Company and will be held in trust for the Selected Participants before vesting. The total number of shares granted under the Scheme shall be limited to 10% of the total issued share capital of the Company.

The Board has delegated the power and authority to a trustee to handle operational matters of the Scheme but all major decisions in relation to the Scheme shall be made by the Board unless expressly provided for in the Scheme rules pursuant to the Scheme or the Board resolves to delegate such power to the trustee.

Pursuant to the Scheme rules, the Board may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit select any participant for participation in the Scheme as a Selected Participant and determine the number of awarded shares.

At June 30, 2019, no share was granted under the Scheme.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

12. TREASURY SHARES (Continued)

Movements of shares held under the Scheme during the year are as follows:

	2019	
	US$'000	Number of shares
At January 1	—	—
Purchased during the period	1,275	3,868
At June 30	1,275	3,868

13. RELATED PARTY TRANSACTIONS

Outstanding balances with related parties:

As at June 30, 2019, there were no outstanding balances with related parties.

14. 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.

15. EVENTS AFTER THE REPORTING PERIOD

On July 19, 2019 (Hong Kong Time), the Company (as the Buyer) and ZEFR, Inc. (as the Seller) entered into the Asset Purchase Agreement, pursuant to which the Buyer has conditionally agreed to, among other things, acquire the Purchased Assets from the Seller. The purchase consideration consists of closing cash consideration of US$50 million and earn-out amount of US$40 million.

The proposed very substantial acquisition represents an excellent opportunity for the Company to embrace market opportunities to further consolidate its position as the leader in online video content protection and monetization.

It is expected that the dispatch date of the Circular will be no later than September 30, 2019.

16. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited interim condensed consolidated financial information were approved and authorized for issue by the board of Directors on August 30, 2019.