Vobile Group Limited

阜博集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3738

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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 of the Board)
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

CORPORATE INFORMATION

AUDITOR

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

LEGAL ADVISER

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,
Grand Cayman KY1-1106,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54 Hopewell Centre,
183 Queen's Road East,
Hong Kong

COMPANY WEBSITE

www.vobilegroup.com

COMPLIANCE ADVISER

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

STOCK CODE

3738

CHAIRMAN'S STATEMENT

TO OUR SHAREHOLDERS:

First of all, I want to thank you, our shareholders, for your confidence in Vobile Group Limited (the "Company") and its subsidiaries (together, the "Group") and your strong support. 2019 was a year of continued execution of our growth strategy. And we have realized transformative changes for the Group.

During 2019, we have successfully integrated the business we acquired from IP-Echelon in Australia into our content protection business. It further bolstered our global leadership in digital video content protection market. In addition, we have completed a very substantial acquisition of the Rights ID and Channel ID businesses from ZEFR, Inc. in Los Angeles, California. As a result, we are able to provide our clients, including many top-tier film studios and television networks, with a broader range of services to effectively protect and monetize their most valuable IP assets. The newly addition of Rights ID and Channel ID businesses immediately established our Group as the leading content monetization platform on YouTube and Facebook. This acquisition also significantly expanded the size and scope of our business, helping diversify both our sources of revenue and our customer base. We now serve a broader sets of content owners whose IP assets are featured on the social media platforms, including YouTube, Facebook, Instagram and SoundCloud. Our proprietary Software as a Service ("SaaS") platforms help our clients prevent revenue loss from infringement and increase revenue growth in online distribution.

In 2019, we also made substantial investment in aggregating a large number of films and television episodes to enable our digital Pay Per Transaction business, namely transactional video on demand ("TVOD") business. We have entered into agreements as content supplier to major video platforms in China, such as Alibaba, iQiyi and Wasu. These platforms provide us a pathway to deliver our library of premium video content to millions of consumers in China. We remain optimistic on the potential revenue upside of our TVOD business in the long run.

GOING FORWARD

We will remain focused on serving global premium content owners and rights holders. Our clients are primarily in media entertainment businesses. The success of media entertainment business is highly dependent on the protection of IP rights in the media products and services they created. And these products and services are predominantly consumed in digital format over the internet. We firmly believe that our core business in content protection is the essential service for media entertainment businesses and will become even more important over time. With the high-stakes investments in direct-to-consumer ("DTC") services, the total investment in original content productions has been increasing dramatically over time. These developments require DTC service providers to devote substantially more resources for content protection.

The successful acquisition of Rights ID and Channel ID business has transformed our Group into the premier provider of comprehensive solution in content protection and monetization. We are the only independent rights management provider that operates in collaboration and compliance with YouTube, Facebook, Instagram and SoundCloud. We have the best platform and expertise to identify, prioritize and maximize video monetization on social media platforms. The ability to reach viewers of specific video content on social media platforms and deliver targeted advertising messages gives us powerful tools for brand marketing and performance marketing. With the growing number of DTC service providers, competition for eyeballs and subscriber growth will only intensify over time. We can play an even more important role for marketers of DTC services.

With the rapid deployment of 5G networks, video distribution is everywhere. Content is king. We are poised to capitalize on the huge market opportunity in the coming years.

CHAIRMAN'S STATEMENT

THANK YOU

On behalf of the board (the "Board") of directors (the "Directors") of the Company, I would like to thank all our employees and business partners for their outstanding efforts and excellent quality of services.

We will continue to expand our business according to our growth strategy and create significant value for all our stakeholders.

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

March 31, 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND PROSPECT

2019 has been a year that has marked the history of global media entertainment industry with significant events: the launch of Disney Plus streaming service as well as the launch of Apple TV Plus service. It is also a significant year in the Group's history. On November 16, 2019, we have completed a very substantial acquisition of the Rights ID and Channel ID businesses from ZEFR, Inc. in Los Angeles, California. This is the second acquisition we have completed since our initial public offerings (the "IPO") in 2018. The first one was the acquisition of IP-Echelon in Australia, which has been integrated successfully into our content protection business. It further bolstered our global leadership in digital video content protection market. We now are able to provide our clients, including top-tier film studios and television networks, with a broader range of services to effectively protect their most valuable IP assets from online piracy. The newly addition of Rights ID and Channel ID business immediately established our Group as the market-leading content monetization platform on YouTube and Facebook. This acquisition also significantly expands the size and scope of our business, helping to broaden and diversify both our sources of revenue and our customer base. In addition to our existing strong customer base of film studios, television networks and other premium video content rightsholders, we now serve a broader sets of content owners whose IP assets are featured on the social media platforms, including YouTube, Facebook, Instagram and SoundCloud. Our proprietary Software as a Service ("SaaS") platforms help our clients prevent revenue loss from infringement and increase revenue growth in on-line distribution.

In 2019, we made substantial investment in aggregating a large number of films and television episodes to enable our digital Pay Per Transaction ("PPT") business, namely transactional video on demand ("TVOD") business. We have entered into agreements as content supplier to major video platforms in China, such as Alibaba, iQiyi and Wasu. These platforms provide us a path to deliver our library of transactional video on demand titles to millions of consumers in China. We remain optimistic on the potential revenue upside of our TVOD business in the long run.

Industry Outlook

(1) Major Studios Turning to Direct-to-Consumer ("DTC") — An increasing number of consumers choose to discontinue their subscription of traditional pay television services, such as cable and satellite television delivered through system operator owned and controlled set top boxes, a trend known as "cord cutting". Content owners and content aggregators have been embroiled in a strategic land grab of direct relationships with consumers. A large number of consumers now only watch digital video programming through applications and services using over-the-top ("OTT") delivery technology built in the Smart TVs or a variety of digital video/gaming devices. This is forcing significant changes in content production, aggregation and distribution business model. Major studios and content owners are turning to the DTC model for a brighter future.

(a) Content Aggregation — Top studios started to pull back their content from content aggregators in order to have unique content portfolios for their own DTC services. This put pressure on content aggregators to find other content owners to license from and develop their own original programming. For example, Netflix had historically shown great ability to aggregate top tier studio content in combination with its own original programming, which allowed them to build a very large subscriber base. Major studios had declining revenue of carriage fees from traditional pay television services due to cord cutting, while Netflix was building a highly valuable direct relationship with consumers in part using licensed studio content. A number of top studios announced to launch their own DTC services and discontinue their content licensing relationships with aggregators such as Netflix. Disney plus and HBO Max are the prime examples. Disney plus was launched on November 12, 2019 with a great success of having 10 million subscribers on the first day.

(b) Content is King — In order to differentiate the service value proposition to existing and prospective subscribers, DTC service providers are committing billions of dollars to original content production with top tier content creators. Notably, Netflix spent about US$6 billion on original video content production in 2019, out of a total budget of approximately US$15 billion for both original and licensed content. The original content production annual budgets for Apple TV Plus and Amazon Prime Video are expected to be around US$6 billion each. Major studios are also stepping up original content production for their own DTC services. In 2019, Disney spent approximately US$1 billion on The Mandalorian and other original content to motivate consumers to sign up for the new Disney Plus service. Disney indicated this budget will grow to approximately US$2.5 billion in 2020. HBO is anticipated to spend in similar range to Disney Plus in support of the upcoming launch of its DTC service HBO Max in 2020.

(c) Evolving Movie Distribution Windows — Box office numbers climbed internationally, particularly in Europe and Asia Pacific, but stagnated in North America. The global box office revenue hit a record US$42.5 billion in 2019, despite the combined ticket sales in North America came in at approximately US$11.4 billion, which represents a 4% decline from approximately US$11.9 billion in 2018, according to ComScore. China box office revenue rose 5.4% to a new record high of approximately US$9.2 billion in 2019. Changes in movie distribution windows have been influenced by consumer use and wallet share of digital services. With major studios making strategic push of their DTC services, the change of windowing for movies will accelerate. The deployment of 5G networks and consumer adoption of ultra-high-definition television will enable a new era of digital day-and-date movie distribution.

(2) New Category of Short-Form Content — There has been a production quality gap for long-form movie and TV content produced by top tier studios and short-form user generated content typically created for and consumed on social video platforms, such as YouTube. An emerging category of short-form episodic video content with high production quality and optimized for viewing on a mobile device in a short time frame promises to eliminate the quality gap. A prime example is Quibi, which was founded in 2018 by DreamWorks co-founder Jeffrey Katzenberg and led by Meg Whitman, former CEO of Hewlett Packard and eBay. Quibi raised US$1 billion in funding from investors and major Hollywood studios, including Disney, NBCUniversal, Sony Pictures, WarnerMedia, ViacomCBS, Liberty Global and Alibaba. Quibi's content, called "Quick Bites", is made specifically to be only streamed on mobile devices and can be viewed in either horizontal or vertical video. Instead of typical half-hour TV episodes or two-hour films, content on Quibi will be delivered in episode chapters of 10 minutes or less. Quibi plans to spend approximately US$1.1 billion on commissioning original content in its first year, totaling 8,500 short-form episodes and including over 175 shows. If Quibi's business model proves to be successful, it could expand the wallet share of consumer spending on top-tier studio produced content.

(3) DTC Marketing on Social Video Platforms — Social video platforms, such as YouTube and Facebook, continue to represent a significant portion of viewers' time spent on-line, across all devices. Short clips of studio produced movie and television programming, often times fan favorite cut of these studio content, are popular on social video platforms and generating billions of views. Marketers of DTC video services are searching effective marketing tools to grow their subscriber base. Identifying the viewers of a brand studio's content on social video platforms can effectively locate its large fan base online. Reaching these identified viewers with targeted advertising can be a powerful marketing tool, including subscriber acquisition and retention.

MANAGEMENT DISCUSSION AND ANALYSIS

Group Strategies

We remain focused on serving global premium content owners and rightsholders. Our clients include film studios, television networks, record labels, DTC service providers, subscription video-on-demand content aggregators, sports leagues, toys and games company. Generally speaking, they all have media entertainment businesses. The success of media entertainment business is highly dependent on the protection of IP rights in the entertainment products and services they created, and predominantly being consumed in digital format over internet nowadays. We firmly believe that our core business in content protection is the essential service for all media entertainment businesses and will become even more important over time. For example, the unauthorized distribution and access to movies and television episodes of a major studio will reduce the number of subscribers of its DTC service, therefore directly reduce its revenues. This will have a much bigger impact to the studio's business compared to the good old days when a significant amount of its revenues was guaranteed by output licensing deals. With the announced high-stakes investments in DTC services, the total investment in original content productions has been increasing dramatically over time. These developments require DTC service providers to devote substantial resources for content protection.

The successful acquisition of Rights ID and Channel ID business has transformed our Group into the premier provider of comprehensive solution in content protection and monetization. We are the only independent rights management provider that operates in collaboration and compliance with YouTube, Facebook, Instagram and SoundCloud. We have the best platform and expertise to identify, prioritize and maximize video monetization on social media platforms. The ability to reach viewers of specific video content on social media platforms and deliver targeted advertising messages gives us powerful tools for brand marketing and performance marketing. With the announced high-stakes DTC services, competition for eyeballs and fighting for subscriber growth will only intensify over time. By leveraging our Rights ID and Channel ID platforms, we can play an even more important role for marketers of DTC services — providing cost-effective marketing tools for subscriber acquisition and retention.

Content is king. Distribution is everywhere. We are poised to capitalize on the huge market opportunity in the coming years. We will continue to execute our strategic plan.

Business Model

The core of our business model is Software as a Service. Our business model can be categorized as:

- Subscription-based SaaS business — consisting of content protection platform, content measurement platform as well as Channel ID content management platform; and

- Transaction-based SaaS business — consisting of conventional Pay Per Transaction platform, transactional video on demand platform (a.k.a. digital Pay Per Transaction platform), advertising video-on-demand and Rights ID content monetization platform.

Product Offerings

Content Protection

Our content protection platforms consist primarily of VideoTracker and MediaWise products. VideoTracker monitors all video sharing sites, including UGC, P2P, search engines, cyber locker, hybrid, linking sites and live streaming. It identifies unauthorized use of rights holders' movies or television programming content, delivers DMCA notification and manages effective take-down of the copyright infringements. MediaWise enables publishers to manage digital media content to eliminate copyright infringements and helps build a better business.

MANAGEMENT DISCUSSION AND ANALYSIS

Content Measurement

Our content measurement platforms consist primarily of TV Ad Tracking and Analysis products. TV Ad Tracking and Analysis identifies and tracks advertisement, logos, and graphics across broadcast channels to help brands interpret ad data and validate ad content runs.

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.

Content Management and Monetization

Our content management platforms consist primarily of Channel ID products. Channel ID helps our clients manage their branded channels on YouTube. Channel ID also provides data analysis and optimization strategies to expand the reach of the channel and help better connect with its viewers and fans.

Our content monetization platforms consist primarily of Rights ID products. Rights ID offers a comprehensive rights management system that identifies, prioritizes and maximizes video monetization on social media platforms for media entertainment companies. It helps resolve the vast ownership and business rule complexities that these enterprise organizations face daily. Rights ID is the only independent rights management provider that operates in collaboration and compliance with YouTube, Facebook, Instagram and SoundCloud.

Pay Per Transaction

Our Pay Per Transaction platforms have successfully evolved from its roots in physical PPT business servicing video rental stores to digital distribution using revenue-sharing model with online video sites. We have aggregated a large number of high-quality films and television programming for our TVOD services, which is powered by our advanced measurement and auditing capabilities. Content owners and online video sites will benefit from the monetization of vast library content, while assuming little business risk because of our content protection and measurement capabilities.

FINANCIAL REVIEW

Consolidated Statement of Profit or Loss and Other Comprehensive Income Highlights

	2019 US$'000	2018 US$'000
Revenue	**18,781**	15,225
Gross profit	**13,452**	12,224
Loss before tax	**(8,061)**	(2,524)
Loss for the year attributable to owners of the Company	**(6,190)**	(2,502)

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:

	2019 US$'000	2018 US$'000
Subscription-based SaaS business		
Content Protection	**11,385**	10,002
Content Measurement	**1,097**	610
Subtotal	**12,482**	10,612
Transaction-based SaaS business		
— Conventional PPT	**615**	1,180
— Online PPT	**5,292**	3,433
— Content Management	**392**	—
Subtotal	**6,299**	4,613
Total	**18,781**	15,225
Businesses other than conventional PPT business	**18,166**	14,045
Conventional PPT	**615**	1,180
Total	**18,781**	15,225

Our revenue in 2019 totaled approximately US$18.8 million, representing an increase of approximately US$3.6 million as compared to 2018 (2018: US$15.2 million). The increase was mainly attributable to the increase in revenue contributed by the business acquired from ZEFR, Inc. in November 2019.

Gross Profit and Gross Profit Margin

Our gross profit in 2019 amounted to approximately US$13.5 million, representing an increase of approximately US$1.3 million as compared to 2018 (2018: US$12.2 million). This increase was resulted from a combination of our increased gross profit from our existing business and the increase in gross profit from the business acquired from ZEFR, Inc. in November 2019.

Our gross profit margin decreased from approximately 80.3% in 2018 to approximately 71.6% in 2019 as revenue from certain product acquired from ZEFR, Inc. in November 2019 are recognized on a gross basis which yield a lower gross profit margin than the other businesses.

Selling and Marketing Expenses

Our selling and marketing expenses in 2019 amounted to approximately US$7.5 million, representing an increase of US$1.8 million as compared to 2018 (2018: US$5.7 million). The increase was mainly due to investment in our sales and business development activities for our TVOD business. In addition to our employees, we hired a team of consultants to accelerate content aggregation of film and television programming for our burgeoning TVOD business. We also made investment in sales and business development activities to establish partnerships with online video distribution platforms in China.

Administrative Expenses

Our administrative expenses in 2019 amounted to approximately US$11.1 million, representing an increase of approximately US$3.5 million as compared to 2018 (2018: US$7.6 million). The increase was mainly due to the incurrence of transaction costs of US$4.8 million for our acquisition of business from ZEFR, Inc. in November 2019.

Research and Development Expenses

Our research and development expenses in 2019 amounted to approximately US$2.5 million, representing an increase of US$0.9 million as compared to 2018 (2018: US$1.6 million). The increase was mainly due to the increase of headcount as a result from the acquisition of business from ZEFR, Inc.

Income Tax Credit

Our income tax credit for the year ended December 31, 2019 was mainly comprised of deferred tax credit of approximately US$1.9 million.

Loss for the Year Attributable to Owners of the Company

The loss attributable to owners of the Company for 2019 amounted to approximately US$6.2 million, representing an increase of US$3.7 million as compared to 2018 (2018: US$2.5 million). The increase was mainly due to the incurrence of transaction costs of approximately US$4.8 million for acquiring business from ZEFR, Inc. in 2019 and increased sales and marketing initiatives to aggregate content for our TVOD business and establish TVOD distribution partnerships.

Basic and diluted loss per share for 2019 is approximately US$0.0146 (2018: approximately US$0.0059).

Dividends

The Board does not recommend any payment of dividends for 2019 (2018: nil).

Consolidated Statement of Financial Position Highlights

	2019 US$'000	2018 US$'000
Total assets	**115,971**	50,836
Total liabilities	**80,854**	7,003
Net assets	**35,117**	43,833
Total equity	**35,117**	43,833

MANAGEMENT DISCUSSION AND ANALYSIS

Goodwill

Our goodwill amounted to approximately US$78.9 million as at December 31, 2019, representing an increase of approximately US$65.3 million as compared to December 31, 2018 (2018: US$13.6 million). The increase was attributable to the acquisition of business from ZEFR, Inc. in November 2019.

Intangible Assets

Our intangible assets amounted to approximately US$8.3 million as at December 31, 2019, representing an increase of US$3.0 million as compared to December 31, 2018 (2018: US$5.3 million). The increase was attributable to the acquisition of business from ZEFR, Inc. in November 2019.

Interest-bearing borrowings

The Board considers that the level of borrowings at December 31, 2019 to be healthy and sustainable. As at December 31, 2019, the Group had interest-bearing borrowings which amounted to approximately US$50 million.

The Board considers that the maturity profile of borrowings is in line with normal commercial practices. As at December 31, 2019, the Group had interest-bearing borrowings of approximately US$1.5 million repayable within one year, approximately US$2.3 million repayable in the second year and approximately US$3.0 million repayable in the third year, approximately US$23.2 million in the fourth year and approximately US$20 million in the fifth year.

LIQUIDITY AND FINANCIAL RESOURCES

Working Capital

As of December 31, 2019, our cash and cash equivalents amounted to approximately US$4.8 million, representing a decrease of approximately US$12.8 million (2018: US$17.6 million). The decrease was primarily due to cash payments related to the incurrence of transaction costs for acquiring business from IP-Echelon and ZEFR, Inc. As of December 31, 2019, our current ratio, which is equivalent to the current assets divided by the current liabilities, was 1.6 times as compared with 4.1 times as at December 31, 2018.

Significant Investments, Acquisitions and Disposal

Except for the acquisition of business from ZEFR, Inc. in November 2019 we did not make significant investments. For details, please refer to the announcements dated November 18, 2019 on the respective websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company.

We did not have any material disposal during 2019.

Capital Expenditures

Our capital expenditures primarily included purchases of property, plant and equipment and incurrence of development costs, which will be capitalized as intangible assets. The amount of our capital expenditures in 2019 was approximately US$0.6 million.

Foreign exchange exposure

Our transactions are mainly settled in United States dollars and therefore we 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

The Group monitors capital using gearing ratio, which is net external debt divided by the capital (equity attributable to owners of the Company) plus net debt. Net debt includes interest-bearing borrowings, less cash and cash equivalents. As of December 31, 2019, our gearing ratio, calculated as net debt divided by the capital (equity attributable to owners of the Company) plus net debt, was 56.3% as compared to 0% as of December 31, 2018.

Contingent liabilities, off balance sheet commitments and arrangements and pledge of assets

Except for the interest-bearing borrowings of US$30 million which is secured by all assets of LRC Oregon Inc., Vobile Holding, Inc., Vobile Home Entertainment LLC and Vobile, Inc., collectively as the guarantor, as collateral, as of December 31, 2019 and the date of this report, we did not have (i) any material contingent liabilities or guarantees, (ii) 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, (iii) any material off-balance sheet arrangements, or (iv) any unutilized banking facilities.

Financial Instruments

Our major financial instruments include trade receivables, other receivables excluding prepayments, cash and cash equivalents, interest-bearing borrowings, trade payables, other payables excluding non-financial liabilities, contingent consideration payable and other non-current liabilities.

We manage such exposure to ensure appropriate measures are implemented on a timely and effective manner.

Use of Proceeds from IPO

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited on January 4, 2018. The net proceeds received 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 announced by the Company on September 30, 2019 and October 9, 2019, the Board resolved to change the proposed use of unutilized net proceeds of approximately US$7.8 million from the global offering of the shares of the Company which was intended to be used for implementing sales and marketing initiatives, upgrading and enhancing our infrastructure and facility, expanding existing offices and geographic coverage and general working capital to acquisition of businesses or assets. Please refer to the announcements of the Company dated September 30, 2019 and October 9, 2019 for details.

As of December 31, 2019, the entire amount of US$21.3 million of proceeds were fully utilized.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended December 31, 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

EVENTS AFTER THE REPORTING PERIOD

Since January 2020, the outbreak of novel coronavirus ("COVID-19") continues to spread around the world. The operating infrastructure of our SaaS platforms is based on cloud computing platforms provided by multiple vendors. We have taken measures including work from home to ensure our business continuity. As for digital video industry impact from COVID-19, the shelter in place and equivalent public health social distancing initiatives may lead to an increase in DTC service utilization and social video platform consumption as home bound individuals are looking for entertainment options to fill their days and evenings during this public health crisis. With the government mandated closure of movie theatres, some major studios chose to go with digital day and date release of new movies that are not able to make their theatrical box office debuts while movie theatres remain closed. It is unclear when the social distancing restriction will end and whether there will be any long-term effect on consumer behaviors in the future. Depending on the subsequent development of COVID-19, changes in macro-economic conditions may have material impact on the business and financial of the Group, which could not be fully assessed at the time of this report. We will continue to monitor the COVID-19 situation and assess any impact on the business and financial conditions of the Group and adapt our operating plan accordingly.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Yangbin Bernard WANG ("Mr. Wang"), aged 51, is an executive Director, the chairman of our Board and our chief executive officer. He is also the chairman of our nomination committee and a member of our remuneration committee. Being the founder of our Group, Mr. Wang joined our Group as the chief executive officer on May 20, 2005 when our first subsidiary Vobile US was established. He has been leading our Group for over 14 years, and has been responsible for corporate vision, product strategy, business development and operations of our Group since its founding. Mr. Wang obtained a Master of Science in Electrical Engineering from the University of Florida, Gainesville, United States in August 1993. He graduated with a Bachelor 's degree in Engineering from Zhejiang University in Hangzhou, Zhejiang Province, the PRC in July 1991.

Mr. Michael Paul WITTE ("Mr. Witte"), alias Mike Witte, aged 61, is an executive Director since June 2017. He joined our Group on January 14, 2008 as our Executive Vice President of Business Development and Sales and is responsible for overseeing all sales and customer success of our content protection products in the US and other related business development activities, including sourcing new clients and managing and growing our existing client relationships, performing after-sales services and providing ongoing support to our customers, and manages our sales team in Silicon Valley. Mr. Witte has over ten years of experience in the SaaS business since joining our Group. Mr. Witte obtained a Bachelor of Arts majoring in English from the University of California in Santa Barbara, California, US in March 1982.

NON-EXECUTIVE DIRECTORS

Mr. Vernon Edward ALTMAN ("Mr. Altman"), aged 74, is a non-executive Director since January 2017 and was designated as the vice chairman of the Board since July 2018. He is also a member of our remuneration committee and a member of our nomination committee. Mr. Altman has over 40 years of experience in providing consulting and advisory services. Mr. Altman joined Bain & Company, Inc. in June 1973 at its founding and was its Advisory Partner until Mr. Altman retired from Bain & Company, Inc. in June 2017. From April 2011 to July 2018, Mr. Altman was a director of Abaxis, Inc., which was listed on the NASDAQ until it was acquired by Zoetis Inc. (NYSE: ZTS) in July 2018. Mr. Altman graduated with a Master of Science in Management, a Master of Science in Electrical Engineering and a Bachelor of Science in Electrical Engineering from the Massachusetts Institute of Technology in Cambridge, Massachusetts, United States in June 1973.

Mr. J David WARGO ("Mr. Wargo"), aged 66, is a non-executive Director since January 2017. He is also a member of our audit committee. In 1993, Mr. Wargo founded Wargo & Company, Inc., where he currently serves as President. Mr. Wargo has over 40 years of experience in the telecommunications, media, and technology industries. Since March 2015, Mr. Wargo has been a director of Liberty Broadband Corporation (NASDAQ: LBRDA). Since August 2014, Mr. Wargo has been a director of Liberty TripAdvisor Holdings, Inc. (NASDAQ: LTRPA). Since September 2008, he has been a director of Discovery Communications, Inc. (NASDAQ: DISCA). Since June 2005, Mr. Wargo has been a director of Liberty Global plc (NASDAQ: LBTYK). From May 2005 to September 2008, he served as a director of Discovery Holding Company. From August 2002 to June 2007, Mr. Wargo served as a director of OpenTV Corp. Since 2000, he has been a director of Strayer Education, Inc. (NASDAQ: STRA). Mr. Wargo graduated with a Masters in Management from the Sloan School of Management at the Massachusetts Institute of Technology, Cambridge, Massachusetts, United States in 1978, and a Masters in Engineering majoring in nuclear engineering in 1976. He has also obtained a Bachelor of Science majoring in Physics from the Massachusetts Institute of Technology in Cambridge, Massachusetts, United States in 1976.

DIRECTORS AND SENIOR MANAGEMENT

Mr. WONG Wai Kwan ("Mr. Wong"), aged 52, is a non-executive Director since June 2017. He is also a member of our audit committee. Since July 2016, Mr. Wong has been the chief financial officer of ThinkTank Learning Holding Company. From December 2011 to June 2016, Mr. Wong served as the General Manager of the Financial Audit Department and the Managing Director of the Internal Audit Department of Shanghai Fosun High Technology (Group) Co., Ltd., a wholly-owned subsidiary of Fosun International Limited (Stock Code: 00656). From January 1997 to March 2000, Mr. Wong served in Ernst & Young's Shanghai office as Manager in its Assurance Department. From August 1992 to December 1996, Mr. Wong was employed by Ernst & Young's Hong Kong office and his last position was Senior Accountant in its Assurance Department. Mr. Wong has over 25 years of experience in finance, accounting, and financial management. Since May 2017, Mr. Wong has been an independent non-executive director of Starlight Culture Entertainment Group Limited (Stock Code: 01159). Since July 2015, Mr. Wong has been an independent non-executive director of Vision Fame International Holding Limited (Stock Code: 01315). From September 2013 to November 2014, he was an independent non-executive director of Karce International Holdings Company Limited (which changed its name to Sinogreen Energy International Group Limited in December 2013 and to Jimei International Entertainment Group Limited in December 2014 and is now known as Starlight Culture Entertainment Group Limited since August 2017) (Stock Code: 01159). From June 2010 to October 2013, he was an independent non-executive director of Shougang Concord Technology Holdings Limited (now known as HNA Holding Group Co. Limited) (Stock Code: 00521). Mr. Wong became a fellow member of Certified Practising Accountants (Australia) in June 2010. He has been a member of the Hong Kong Society of Accountants (now known as the Hong Kong Institute of Certified Public Accountants) since January 1997. Mr. Wong has been a member of the Association of Chartered Certified Accountants since January 1996. Mr. Wong graduated with a Master of Business Administration from Washington University in St. Louis, Missouri, United States in December 2009. He obtained a Bachelor of Arts with Honours in Accountancy from the City University of Hong Kong in Hong Kong in November 1992.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN King Man Kevin ("Mr. Chan"), aged 40, is an independent non-executive Director since December 2017. He is also the chairman of our audit committee, a member of our remuneration committee and a member of our nomination committee. Since April 2008, Mr. Chan has worked for Grant Thornton China, where he currently serves as partner and where he is a member of the Grant Thornton China Advisory Steering Committee and is also responsible for leading a transaction advisory team. From July 2007 to April 2008, Mr. Chan was a Manager in the Corporate Finance (Transaction Services) department at Grant Thornton Services LLP. Mr. Chan obtained a Bachelor of Science in Economics and Accounting with a Language from the University of Bristol in the United Kingdom in June 2001. Mr. Chan has been a member of the Institute of Chartered Accountants of Scotland since December 2005. He has been a China Chapter Board member with the Association for Corporate Growth since January 2016.

Mr. James Alan CHIDDIX ("Mr. Chiddix"), aged 74, is an independent non-executive Director since December 2017. He is also the chairman of our remuneration committee, a member of our audit committee and a member of our nomination committee. Mr. Chiddix has over 13 years of experience in the telecommunications, media, and technology industries through various positions and offices held. Since 2009, Mr. Chiddix has been a director of ARRIS International plc (NASDAQ: ARRS). From July 2008 to May 2013, Mr. Chiddix was an independent director of Virgin Media Inc., a provider of broadband internet, television, mobile telephony, and fixed line telephony services that offer a variety of entertainment and communications services to residential and commercial customers throughout the United Kingdom. From November 2007 to November 2011, Mr. Chiddix was also a director of Dycom Industries, Inc. (NYSE: DY). From February 2009 to May 2010, Mr. Chiddix was a non-executive director of Shougang Concord Technology Holdings Limited (now known as HNA Holding Group Co. Limited) (Stock Code: 00521). From April 2007 to November 2013, Mr. Chiddix was a director of Symmetricom, Inc. From March 2004 to November 2009, Mr. Chiddix was a director of OpenTV Corp, a provider of advanced digital television solutions dedicated to creating and delivering viewing experiences to customers of digital content worldwide, during which time he also served as its executive chairman and chief executive officer from May 2004 to March 2007, and as its vice chairman from May 2007 to November 2009.

Mr. Charles Eric EESLEY ("Mr. Eesley"), aged 40, is an independent non-executive Director since December 2017. He is also a member of our audit committee, a member of our remuneration committee and a member of our nomination committee. Mr. Eesley has over ten years of experience in education and research focusing on technology and entrepreneurship. Since 2009, Mr. Eesley has worked at Stanford University, and is currently an Associate Professor in the Department of Management Science and Engineering and is David T. Morgenthaler Faculty Fellow in the Stanford Technology Ventures Program. As part of the Stanford Technology Ventures Program, he conducts research on technology entrepreneurship, specifically the impact of institutions and university environment on high growth technology entrepreneurship. In September 2015, he was selected as a Schulze Distinguished Professor under the Schulze Distinguished Professorship Program by the Richard M. Schulze Family Foundation. Mr. Eesley obtained a Doctor of Philosophy in Management from the Massachusetts Institute of Technology in Cambridge, Massachusetts, United States in June 2009 and a Bachelor of Science from Duke University in Durham, North Carolina, United States in May 2002.

SENIOR MANAGEMENT

Mr. Timothy John ERWIN ("Mr. Erwin"), alias Tim Erwin, aged 51, is our Senior Vice President of Sales and Customer Relations. He joined our Group on February 1, 2015 as Senior Vice President of Sales and Customer Relations and is responsible for overseeing sales, operations and business development activities of our PPT business. Mr. Erwin has over 28 years of experience in sales and operations for media measurement for the entertainment and media industries. From July 1991 to February 2015, he worked at Rentrak, where his last position was Senior Vice President of Sales and Customer Relations.

Mr. Adam Goldstein ("Mr. Goldstein"), aged 35, is our Senior Vice President of Business Development. He joined our Group in November 2019 as Senior Vice President of Business Development upon the completion of our acquisition of Rights ID and Channel ID businesses from ZEFR, Inc. From 2012 to November 2019, Mr. Goldstein worked at ZEFR building and leading the business functions of Rights ID and Channel ID. From 2010 to 2012, Mr. Goldstein worked at Ustream (IBM Cloud Video) as Senior Manager of Business Development. Mr. Goldstein worked as a management consultant at Kaiser Associates from 2007 to 2010. Mr. Goldstein graduated from Haverford College with a Bachelor of Arts, majoring in Mathematical Economics.

Mr. Benjamin Russell SMITH ("Mr. Smith"), alias Ben Smith, aged 44, is our Senior Vice President of Business Development. He joined our Group on February 1, 2014 as Senior Vice President of Business Development and is responsible for overseeing our ReClaim product sales and other related business development activities. From April 2012 to January 2014, Mr. Smith was the chief executive officer at Blayze. From September 2003 to October 2009 he served as Strategic Partner Development Senior Associate at Google Inc., where he acquired experience in business development. Mr. Smith graduated with a Bachelor of Arts, majoring in Political Science and minoring in Legal Studies from Beloit College in Beloit, Wisconsin, United States in December 1997.

Mr. HO Sai Hong Vincent ("Mr. Ho"), aged 34, is our Financial Controller and company secretary since November 2016. He is responsible for overseeing overall accounting and financial reporting functions. Mr. Ho has over 10 years of experience in the auditing and accounting fields. From September 2008 to September 2015, Mr. Ho worked at the Assurance Department of Ernst & Young where he last served as Manager. Mr. Ho has been a member of the Hong Kong Institute of Certified Public Accountants since February 2012. He graduated with a Bachelor of Business Administration in Economics and Accounting from the Hong Kong University of Science and Technology in Hong Kong in May 2008.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended December 31, 2019.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company is a limited liability company incorporated in the Cayman Islands and its principal place of business in Hong Kong is Suite 3712, 37/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group comprise of the provision of software as a service. The principal activities and other particulars of the subsidiaries of the Company are set out in note 1 to the financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the sections headed "Chairman's Statement" and the "Management Discussion and Analysis" set out on pages 4 to 5 and pages 6 to 14 of this annual report, respectively. This discussion forms part of this directors' report.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out in the section headed "Five Year Financial Summary" on page 108 of this annual report. The summary does not form part of the audited financial statements.

RESULTS AND DIVIDEND

The Group's loss for the year ended December 31, 2019 and the Group's financial position as at December 31, 2019 are set out in the financial statements on pages 46 to 107.

The Board does not recommend payment of any dividend in respect of the year ended December 31, 2019 (2018: Nil).

SHARE CAPITAL AND SHARE OPTION

Details of movements in the Company's share capital are set out in note 24 to the financial statements.

Details of movements in the Company's share options are set out in note 25 to the financial statements.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended December 31, 2019, except for the purchase of 7,870,000 shares on behalf by Acheson Limited, a wholly-owned subsidiary of Tricor Holdings Limited, as the trustee of the share award plan adopted by the Group on May 6, 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DISTRIBUTABLE RESERVES

As at December 31, 2019, the Company's reserves available for distribution mainly represent the share premium account, retained profits, merger reserve and other reserves, amounted to approximately US$44.3 million.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's top five customers accounted for approximately 27.5% of the total revenue. The top five suppliers accounted for approximately 56.9% of the total purchases for the year. In addition, the Group's largest customer accounted for approximately 7.3% of the total revenue and the Group's largest supplier accounted for approximately 15.1% of the total purchases for the year.

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

CHARITABLE DONATIONS

During the year ended December 31, 2019, the Group did not make any charitable donations (2018: Nil).

DIRECTORS' REPORT

DIRECTORS

The Directors during the year ended December 31, 2019 and up to the date of this report are:

Executive Directors:

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

Non-executive Directors:

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

Independent Non-executive Directors:

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

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

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

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

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

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

PERMITTED INDEMNITY PROVISION

Permitted indemnity provisions (as defined in section 469 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) for the benefit of the Directors are currently in force and was in force during the year and at the date of this report.

DIRECTORS' SERVICE AGREEMENTS

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

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

EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2019, the Group employed a total of 144 staff as compared to 71 staff as at December 31, 2018. 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 of the Company 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. Particulars of the remuneration of employees of the Group during the year ended December 31, 2019 are set out in note 6 to the financial statements.

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

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Particulars of the emoluments of the Directors and the five highest-paid individuals of the Group during the year ended December 31, 2019 are set out in notes 8 and 9 to the financial statements.

PRE-IPO SHARE OPTION SCHEME

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

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

The purpose of the Pre-IPO Share Option Scheme is to offer to 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 January 4, 2018.

As at the date of this report, the outstanding share option granted under the Pre-IPO Share Option Scheme is 14,464,000 Shares, representing 3.40% of the issued share capital of the Company.

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

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

Outstanding share options

The table below shows details of the outstanding share options granted to all grantees under the Pre-IPO Share Option Scheme as of December 31, 2019. For further details on the movement of the options during the year, please see note 25 to the financial statements.

Grantee	Position Held	Exercise Price	Number of Shares under the Pre-IPO Share Option Scheme	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
Senior Management					
Mr. Erwin	Senior Vice President of Sales and Customer Relations	US$0.125	800,000	April 25, 2017	0.19
Mr. Smith	Senior Vice President of Business Development	US$0.125	400,000	April 25, 2017	0.09
Mr. Ho	Financial Controller and Company Secretary	US$0.125	400,000	April 25, 2017	0.09
Subtotal			1,600,000		0.37
Other 27 employees and consultant		US$0.125	3,864,000	April 25, 2017	0.92
Total			14,464,000		3.40

DIRECTORS' REPORT

POST-IPO SHARE OPTION SCHEME

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

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

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

(b) Types of Options for Employees in the US

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

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

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

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

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

(iii) the nominal value of the Shares.

(d) Lapse of Option or Right

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

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

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

As at the date of this annual report, the outstanding number of options available for issue under the Share Option Scheme is 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.

RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at December 31, 2019 are set out in note 2.4 to the financial statements.

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

As of December 31, 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 (note 1)	Approximate percentage of the issued share capital
Mr. Wang (note 2)	Beneficial owner; trustee of a trust; beneficiary of a trust	75,290,480	17.72%
Mr. Witte (note 3)	Beneficial owner	1,600,000	0.38%
Mr. Altman (note 4)	Beneficial owner, trustee of a trust	19,480,952	4.59%
Mr. Wargo (note 5)	Beneficial owner	32,495,339	7.65%
Mr. Wong (note 6)	Beneficial owner	600,000	0.14%
Mr. Chiddix (note 7)	Beneficial owner	80,000	0.02%

Notes:

(1) All interests stated are long positions.

(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 and beneficiary of the YBW Trust. Mr. Wang is interested in 7,100,000 shares beneficially owned by him, 52,190,480 shares held by him in his capacity as trustee and beneficiary of the JYW Trust, 8,000,000 shares in his capacity as trustee and beneficiary 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 is 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 is interested in 2,300,000 shares beneficially owned by him 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 is interested in 32,495,339 shares beneficially owned by him.

(6) Mr. Wong is 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 is interested in 80,000 shares beneficially owned by him.

Save as disclosed above, as of December 31, 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 year ended December 31, 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 December 31, 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	Capacity	Number of Shares[1]	Approximate percentage of the issued share capital
Leading Season Limited[2]	Beneficial owner	34,857,144 (L)	8.20
Gorgeous Holding Limited[2]	Interest in a controlled corporation	34,857,144 (L)	8.20
New York Private Trust Company[2]	Interest in a controlled corporation, Trustee of a trust	34,857,144 (L)	8.20
LU Jian	Beneficial owner	32,190,480 (L)	7.58
Navibell Venture Corp.[3]	Beneficial owner	31,800,000 (L)	7.48
Colombo Development Limited[3]	Interest in a controlled corporation	31,800,000 (L)	7.48
Equity Trustee Limited[3]	Interest in a controlled corporation, Trustee of a trust	31,800,000 (L)	7.48
XIE Shihuang[3]	Interest in a controlled corporation	31,800,000 (L)	7.48
Steamboat Ventures II, LLC[4]	Beneficial owner	25,390,918 (L)	5.98
Steamboat Ventures Manager II, LLC[4]	Interest in a controlled corporation	25,486,484 (L)	5.99
John Richard BALL[4]	Interest in a controlled corporation	25,486,484 (L)	5.99

Notes:

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

(2) Leading Season Limited is wholly owned by Gorgeous Holding Limited, which is wholly owned by New York Private Trust Company. Under the SFO, New York Private Trust Company is deemed to be interested in the Shares held by Leading Season Limited.

(3) 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.

(4) 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, LLC 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 held 25,390,918 Shares and 95,566 Shares, respectively, and Steamboat Ventures Manager II, LLC is deemed to be interested in 25,486,484 Shares in aggregate held by Steamboat Ventures II, LLC and Steamboat Ventures II Co-Investment Fund, LP. John Richard Ball is the managing member of Steamboat Ventures Manager II, LLC. Under the SFO, Steamboat Ventures Manager II, LLC and John Richard Ball are deemed to be interested in the Shares held by Steamboat Ventures II, LLC and Steamboat Ventures II Co-Investment Fund, LP.

Save as disclosed above, as of December 31, 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.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this report and the prospectus, no transaction, arrangement or contract of significance subsisted in which a Director or an entity connected with a Director was materially interested, whether directly or indirectly, during or as at December 31, 2019.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended December 31, 2019.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at December 31, 2019, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors during the reporting period namely, Mr. Chan, Mr. Chiddix and Mr. Eesley, an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all of them were independent during the year ended December 31, 2019.

DEED OF NON-COMPETITION

Pursuant to the deed of non-competition ("Deed of Non-competition") dated June 20, 2017 entered into by VideoMobile Co., Ltd. ("VideoMobile") in favor of the Company, VideoMobile has undertaken that VideoMobile and its subsidiaries shall not carry on, engage, invest, participate or otherwise be interested in any business offering Software as a Service solutions to content owners as described in our prospectus date December 19, 2017 that was or intended to be carried on by the Group, in any part of the world (the "Restricted Business"). It is confirmed that VideoMobile and its subsidiaries had complied with the Deed of Non-competition and did not carry on, engage, invest, participate or otherwise be interested in any Restricted Business during the year ended December 31, 2019. Relying on this confirmation, the independent non-executive Directors are satisfied that the Deed of Non-competition was fully complied with by VideoMobile during the year ended December 31, 2019.

CONTINUING CONNECTED TRANSACTIONS

There was no connected transaction during the year ended December 31, 2019.

CORPORATE GOVERNANCE

The Corporate Governance Report is set out on pages 30 to 39 of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the Directors' knowledge, at least 25% of the Company's total issued share capital was held by the public as at the latest practicable date prior to the issue of this report.

AUDITOR

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

On behalf of the Board

Yangbin Bernard WANG
Chairman, Executive Director and Chief Executive Officer

Hong Kong, March 31, 2020

CORPORATE GOVERNANCE REPORT

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 the Group to formulate its business strategies and policies, and to enhance its transparency and accountability.

During the year ended December 31, 2019, the Company has applied the principles as set out in the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules which are applicable to the Company.

In the opinion of the Directors, during the year ended December 31, 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, details of which are set out in the paragraph headed "Chairman and Chief Executive Officer" of this report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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 year ended December 31, 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.

BOARD OF DIRECTORS

Composition of the Board of Directors

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

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

Non-executive Directors:
Mr. Vernon Edward ALTMAN *(Vice Chairman of the Board)*
Mr. J David WARGO
Mr. WONG Wai Kwan

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

The biographical details of all current Directors and senior management of the Company are set out on pages 15 to 17 of this annual report. To the best knowledge of the Company, save as disclosed under the section headed "Directors and Senior Management" on pages 15 to 17 of this annual report, there are no financial, business, family or other material or relevant relationships among the members of the Board and/or the senior management during the reporting period.

Chairman and Chief Executive Officer

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

Independent Non-executive Directors

During the year ended December 31, 2019, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

NON-EXECUTIVE DIRECTORS AND DIRECTORS' RE-ELECTION

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

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

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

Continuous Professional Development of Directors

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

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

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

The Directors and senior management have also reviewed the performance of the Company and the sales strategy of the industry and have also discussed the market condition of the industry. All the Directors received from time to time CPD and updates relating to Director's duties and regulatory and business development relevant to the Company and their CPD record for the year ended December 31, 2019 is received and summarized as follows.

Executive Directors:	**Type of training**[1]
Mr. Yangbin Bernard WANG	A and B
Mr. Michael Paul WITTE	A and B
Non-executive Directors:	
Mr. Vernon Edward ALTMAN	A and B
Mr. J David WARGO	A and B
Mr. WONG Wai Kwan	A and B
Independent Non-executive Directors:	
Mr. CHAN King Man Kevin	A and B
Mr. James Alan CHIDDIX	A and B
Mr. Charles Eric EESLEY	A and B

(1) Type of training

A Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES

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

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

Audit Committee

As at the date of this annual report, the Audit Committee comprises two non-executive Directors, being Mr. J David WARGO and Mr. WONG Wai Kwan, three independent non-executive Directors, being Mr. CHAN King Man Kevin, Mr. James Alan CHIDDIX and Mr. Charles Eric EESLEY. The chairman of the Audit Committee is Mr. CHAN King Man Kevin. The terms of reference of the Audit Committee are available on the respective websites of the Stock Exchange and the Company.

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

The Audit Committee held three meetings during the year ended December 31, 2019 to review the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and relevant scope of work.

The Audit Committee also met the external auditors twice without the presence of the Executive Directors during the year ended December 31, 2019.

Remuneration Committee

As at the date of this annual report, the Remuneration Committee comprises an executive Director, being Mr. Yangbin Bernard WANG, a non-executive Director, being Mr. Vernon Edward ALTMAN and three independent non-executive Directors, being Mr. CHAN King Man Kevin, Mr. James Alan CHIDDIX and Mr. Charles Eric EESLEY. The chairman of the Remuneration Committee is Mr. James Alan CHIDDIX. The terms of reference of the Remuneration Committee are available on the respective websites of the Stock Exchange and the Company.

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

The Remuneration Committee held two meetings during the year ended December 31, 2019 to determine the remuneration packages of Executive Directors and senior management and to review and make recommendation to the Board on the remuneration policy and structure of the Company, and other related matters.

Details of the fees and other emoluments paid or payable to the Directors and the details of the remuneration by band of the members of the senior management (excluding Directors) for the year ended December 31, 2019 are set out in details in notes 8 and 9 to the audited financial statements contained in this report.

Nomination Committee

As at the date of this annual report, the Nomination Committee comprises an executive Director, being Mr. Yangbin Bernard WANG, a non-executive Director, being Mr. Vernon Edward ALTMAN and three independent non-executive Directors, being Mr. CHAN King Man Kevin, Mr. James Alan CHIDDIX and Mr. Charles Eric EESLEY. The chairman of the Nomination Committee is Mr. Yangbin Bernard WANG. The terms of reference of the Nomination Committee are available on the respective websites of the Stock Exchange and the Company.

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

The duties and authorities of the Nomination Committee are contained in its terms of reference, which fully comply with code provision A.5.2 of the CG Code and are available on the websites of the Stock Exchange and the Company.

The Nomination Committee has formulated and set out its nomination policy ("Nomination Policy") in its terms of reference. The objective of the Nomination Policy is to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's businesses. To ensure changes to the Board composition can be managed without undue disruption, a formal, considered and transparent procedure is in place for selection, appointment and re-appointment of Directors, as well as plans in place for orderly succession (if considered necessary), including periodical review of such plans. The appointment of a new Director (to be an additional Director or fill a casual vacancy as and when it arises) or any re-appointment of Directors is a matter for decision by the Board upon the recommendation of the proposed candidate by the Nomination Committee.

Before making recommendation to the Board, the criteria to be applied in considering whether a candidate is qualified shall be his or her ability to devote sufficient time and attention to the affairs of the Company, character, qualifications, experience, independence and contribution to the diversity of the Board and ability to effectively carry out the Board's responsibilities. Further details of the selection criteria and the procedure are set out in the terms of reference of the Nomination Committee.

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

The Nomination Committee held two meetings during the year ended December 31, 2019 to review the structure, size and composition of the Board and the independence of the Independent Non-executive Directors and to consider the qualifications of the retiring Directors standing for election at the AGM. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective implementing the Board diversity policy.

Corporate Governance Functions

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

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

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board Committee meetings and AGM and extraordinary general meeting ("EGM") of the Company held during the year ended December 31, 2019 is set out in the table below:

Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	AGM	EGM
Executive Directors						
Mr. Yangbin Bernard WANG	7/7	N/A	2/2	2/2	1/1	1/1
Mr. Michael Paul WITTE	7/7	N/A	N/A	N/A	1/1	1/1
Non-executive Directors						
Mr. Vernon Edward ALTMAN	7/7	N/A	2/2	2/2	0/1	0/1
Mr. J David WARGO	7/7	3/3	N/A	N/A	0/1	0/1
Mr. WONG Wai Kwan	7/7	3/3	N/A	N/A	1/1	1/1
Independent Non-executive Directors						
Mr. CHAN King Man Kevin	7/7	3/3	2/2	2/2	1/1	1/1
Mr. James Alan CHIDDIX	7/7	3/3	2/2	2/2	0/1	0/1
Mr. Charles Eric EESLEY	7/7	3/3	2/2	2/2	0/1	0/1

During the year, apart from the Board meetings, consents and/or approvals of the Board were also obtained by way of written resolutions on a number of matters/transactions. The Chairman of the Board met all the independent non-executive Directors without the presence of the other Directors after the Board meeting held on March 31, 2020 in compliance with code provision A.2.7 of the CG Code.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2019.

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

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report" on pages 40 to 45 of this annual report.

AUDITOR'S REMUNERATION

An analysis of the remuneration that should be paid to the external auditor of the Company, Ernst & Young, for the audit of the year ended December 31, 2019 and non-audit services is set out below:

Service Category	Fee Paid/Payable US$'000
Audit services of annual report	293
Non-audit services	266

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

- To adopt the internal control management measures, which sets out the procedures for effective implementation of internal control measures.

- To engage external professional advisers as necessary and work with our legal teams to conduct review to ensure that all registrations, licenses, permits, filings and approvals are valid and that the renewals of such documents are made in a timely manner.

- To appoint VBG Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, as our compliance adviser to advise us on compliance with the Listing Rules and other applicable securities laws and regulations in Hong Kong.

The Board has engaged an external professional service firm as its risk management and internal control review adviser (the "Adviser") to conduct the annual review of the risk management and internal control systems for the year ended December 31, 2019. Such review is conducted annually and cycles reviewed are under rotation basis. The scope of review was previously determined and approved by the Board. The Adviser has reported findings and areas for improvement to the Audit Committee and management. The Audit Committee are of the view that there are no material internal control defeats noted. All recommendations from the Adviser are properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Board therefore considered that the risk management and internal control systems are effective and adequate.

SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels and a shareholders' communication policy is in place to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

To safeguard shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting by Shareholders

Under Article 12.3 of the Articles, any two or more shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company may at all times have the right, by a written requisition to the Board or the company secretary of the Company, to require the convening of an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 42 days after the deposit of such requisition. If, within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to the requisitionists by the Company.

Putting Forward Proposals at General Meetings

The Board is not aware of any provisions allowing the shareholders of the Company to put forward proposals at general meetings of the Company under the Articles and the Companies Law of the Cayman Islands Law. Shareholders who wish to put forward proposals at general meetings may refer to the preceding paragraph to make a written requisition to require the convening of an extraordinary general meeting of the Company.

Detailed procedures for shareholders to propose a person for election as a director of the Company are published on the Company's website.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Suite 3712, 37/F, Tower Two
Times Square
1 Matheson Street,
Causeway Bay, Hong Kong
(For the attention of the Board of Directors/Company Secretary)
Email: ir@vobilegroup.com

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. The information of the shareholder(s) may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavors to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At annual general meetings, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

During the year under review, the Company has not made any changes to its Articles. An up to date version of the Articles is available on the websites of the Company and the Stock Exchange.

The Company has in place a Shareholders' Communication Policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

DIVIDEND POLICY

Pursuant to Code provision E.1.5 of the CG Code, the Company has adopted a dividend policy as set forth below:

Following completion of the global offering, we may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. Our Board will review our Company's dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

— our financial results;

— Shareholders' interests;

— general business conditions, strategies and future expansion needs;

— the Group's capital requirements;

— the payment by its subsidiaries of cash dividends to the Company;

— possible effects on liquidity and financial position of the Group;

— other factors the Board may deem relevant.

Our Directors may declare dividends after taking into account, among other things, our results of operations, financial condition and position, the amount of distributable profits, our Articles, the Companies Law of the Cayman Islands Law, applicable laws and regulations and other factors that our Directors deem relevant. Prospective investors should note that historical dividend distributions are not indicative of our future dividend distribution policy.

COMPANY SECRETARY

Mr. Ho Sai Hong Vincent, aged 34, is the financial controller and company secretary of our Company. He has complied with requirements set out in Rule 3.29 of the Listing Rules by receiving relevant professional training for not less than 15 hours during the year ended December 31, 2019.

INDEPENDENT AUDITOR'S REPORT

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

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

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

OPINION

We have audited the consolidated financial statements of Vobile Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 46 to 107, which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Key audit matter	How our audit addressed the key audit matter
Very substantial acquisition	
During the year, the Group completed a very substantial acquisition of business from ZEFR, Inc., with a cash consideration of US$50,000,000 plus an earn-out amount. The earn-out amount will be calculated based on revenue and EBITDA of the acquired business during the 12-month period subsequent to the acquisition. The high end and low end of the earn-out amounts are US$40,000,000 and nil, respectively. The provisional purchase price allocation was performed during the year. As a result, the Group recognized goodwill of US$65,299,000, property plant and equipment of US$52,000, and an intangible asset of US$2,509,000. This acquisition is categorized as a very substantial acquisition. In addition, it requires estimations and judgments from the Group management in terms of the purchase price allocation and contingent consideration. We deemed this acquisition a key audit matter. Related disclosures are included in note 27 to the consolidated financial statements.	Our audit procedures included, among others, reading the asset purchase agreement ("APA") in relation to the acquisition to obtain an understanding of the transaction and the key terms, and evaluating if it fulfils the definition of a business combination. We discussed with management regarding the APA, the identification of assets acquired and the valuation of the earn-out amount. We involved internal valuation specialists to evaluate the valuation methodology and assumptions used by management and the external valuation expert in the fair valuation of acquired assets. We assessed the valuation assumptions such as discount rate and growth rate by comparing these assumptions to market data and historical experiences of the Group in respect of companies in the same business. We assessed the objectivity, independence, competence and relevant experience of the external valuation expert. We also assessed the adequacy of related disclosures in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill	
As at December 31, 2019, the goodwill amounted to US$78,921,000, of which US$72,138,000 and US$6,783,000 were allocated to the Transaction-based SaaS business cash-generating unit ("CGU") and Peer to peer network technology business CGU, respectively. The recoverable amounts of both CGUs (the Transaction-based SaaS business and the Peer to peer network technology) have been determined based on a value-in-use calculation using five-year cash flow projections approved by senior management. This process involves management to estimate projected number of viewership on videos, and a projected amount of advertisement inserted on videos, the expected future market demand as a result of changes in current market conditions and technology, and the latest invoice prices. An assessment was made at the end of the reporting period. We focused on this area because it requires a high level of management judgement and the amount involved is significant.	We obtained an understanding of the process in place in the impairment assessment of goodwill. We discussed with management and assessed the allocation of goodwill to different CGUs. We involved our internal specialists to evaluate the assumptions and methodologies used by the Group, such as pre-tax discount rate and terminal growth rate. We discussed with internal specialists regarding their valuation results. We assessed the recoverable amount of goodwill by reviewing the operating cash flows of the cash generating unit, management's forecasts, and the underlying assumptions. We also focused on the adequacy of the Group's disclosures concerning those assumptions to which the outcome of the impairment test is most sensitive, such as revenue growth rate, gross profit margin and the discount rate. These have the most significant effect on the determination of the recoverable amount of goodwill. We assessed the sufficiency of the sensitivity analysis performed by the Directors of the Company.

Key audit matter	How our audit addressed the key audit matter
Recognition of deferred tax assets	
The balance of deferred tax assets as at December 31, 2019 amounted to US$4,265,000. Deferred tax assets had been provided for the losses available for offsetting against future taxable profits and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The Group had tax losses and unutilized deduction arising in the United States of US$15,367,000 as at December 31, 2019 that will expire in twenty years for offsetting against future taxable profits. The deferred tax assets were calculated at a composite statutory tax rate of 27.83%, which consisted of a federal income tax rate and multiple state income tax rates. The assessment of future taxable income and the recognition of deferred tax assets requires judgement and estimates such as forecasted profits and the impact of potential future tax reforms on the deferred tax asset amounts and is therefore significant to our audit. Related disclosures are included in notes 2.4, 3 and 23 to the consolidated financial statements.	We obtained an understanding of the deferred tax asset calculation and performed substantive audit procedures on the recognition of deferred tax balances based on local tax regulations, and on the analysis of the recoverability of the deferred tax assets. We evaluated the Group's assumptions and estimates in relation to the likelihood of generating sufficient future taxable income based on budgets and plans, principally by performing sensitivity analyses and evaluating and testing the key assumptions used to determine the amounts recognized. We have also involved internal specialists to support us in these procedures in order to assess the accuracy of the deferred tax asset recognition.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong

March 31, 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended December 31, 2019

	Notes	**2019 US$'000**	2018 US$'000
REVENUE	5	**18,781**	15,225
Cost of services provided		**(5,329)**	(3,001)
Gross profit		**13,452**	12,224
Other income and gains	5	**328**	262
Selling and marketing expenses		**(7,456)**	(5,687)
Administrative expenses		**(11,093)**	(7,563)
Research and development expenses		**(2,501)**	(1,577)
Finance costs	7	**(649)**	—
Other expenses		**(142)**	(183)
LOSS BEFORE TAX	6	**(8,061)**	(2,524)
Income tax credit	10	**1,871**	22
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(6,190)**	(2,502)
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(115)**	(565)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(115)**	(565)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(6,305)**	(3,067)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted loss for the year attributable to ordinary equity holders of the Company (US dollar)	12	**(0.0146)**	(0.0059)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2019

	Notes	2019 US$'000	2018 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**378**	598
Right-of-use assets	14(a)	**1,017**	—
Other intangible assets	16	**8,350**	5,340
Goodwill	15	**78,921**	13,622
Deferred tax assets	23	**4,265**	2,376
Prepayments	18	**37**	167
Total non-current assets		**92,968**	22,103
CURRENT ASSETS			
Trade receivables	17	**13,743**	8,156
Prepayments, other receivables and other assets	18	**4,080**	2,556
Tax recoverable		**355**	380
Cash and cash equivalents	19	**4,825**	17,641
Total current assets		**23,003**	28,733
CURRENT LIABILITIES			
Trade payables	20	**5,695**	2,618
Lease liabilities	14(b)	**753**	—
Interest-bearing borrowings	22	**1,500**	—
Other payables and accruals	21	**6,306**	4,385
Total current liabilities		**14,254**	7,003
NET CURRENT ASSETS		**8,749**	21,730
TOTAL ASSETS LESS CURRENT LIABILITIES		**101,717**	43,833
NON-CURRENT LIABILITIES			
Lease liabilities	14(b)	**240**	—
Interest-bearing borrowings	22	**48,500**	—
Other liabilities	27	**17,860**	—
Total non-current liabilities		**66,600**	—
Net assets		**35,117**	43,833
EQUITY			
Share capital	24	**42**	42
Treasury shares	24	**(2,558)**	—
Reserves	26	**37,633**	43,791
Total equity		**35,117**	43,833

Yangbin Bernard WANG
Director

WONG Wai Kwan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2019

	Attributable to owners of the Company								
	Share capital US$'000 (note 24)	Treasury shares US$'000 (note 24)	Share premium* US$'000 (note 24)	Merger reserve* US$'000 (note 26)	Other reserve* US$'000 (note 26)	Share option reserve* US$'000 (note 25)	Exchange fluctuation reserve* US$'000	Accumulated losses* US$'000	Total equity US$'000
As at January 1, 2018	8	—	—	376	25,686	225	25	(6,884)	19,436
Loss for the year	—	—	—	—	—	—	—	(2,502)	(2,502)
Exchange differences related to foreign operations	—	—	—	—	—	—	(565)	—	(565)
Total comprehensive loss for the year	—	—	—	—	—	—	(565)	(2,502)	(3,067)
Equity-settled share option arrangements	—	—	—	—	—	238	—	—	238
Issue of shares	9	—	30,242	—	—	—	—	—	30,251
Share issue expenses	—	—	(3,025)	—	—	—	—	—	(3,025)
Capitalization issue	25	—	(25)	—	—	—	—	—	—
As at December 31, 2018 and January 1, 2019	42	—	27,192	376	25,686	463	(540)	(9,386)	43,833
Loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(6,190)**	**(6,190)**
Exchange differences related to foreign operations	**—**	**—**	**—**	**—**	**—**	**—**	**(115)**	**—**	**(115)**
Total comprehensive loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**(115)**	**(6,190)**	**(6,305)**
Shares repurchased	**—**	**(2,558)**	**—**	**—**	**—**	**—**	**—**	**—**	**(2,558)**
Equity-settled share option arrangements	**—**	**—**	**—**	**—**	**—**	**147**	**—**	**—**	**147**
As at December 31, 2019	**42**	**(2,558)**	**27,192**	**376**	**25,686**	**610**	**(655)**	**(15,576)**	**35,117**

* These reserve accounts comprise the consolidated other reserves of US$37,633,000 (2018: US$43,791,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2019

	Notes	2019 US$'000	2018 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(8,061)**	(2,524)
Adjustments for:			
Interest income	5	**(119)**	(224)
Finance costs	7	**649**	—
Depreciation of items of property, plant and equipment	13	**305**	262
Depreciation of right-of-use assets	14(a)	**940**	—
Amortization of other intangible assets	16	**70**	—
Impairment losses on financial and contract assets		**3**	—
Equity-settled share option expense	25	**147**	238
		(6,066)	(2,248)
Increase in trade receivables		**(5,590)**	(2,024)
(Increase)/decrease in prepayments and other assets		**(967)**	256
Increase in other receivables		**(427)**	(383)
Increase in other payables		**1,310**	173
Decrease in accruals, deferred revenue and payroll and welfare accruals		**—**	(1,043)
Increase in trade payables		**3,077**	916
Cash used in operations		**(8,663)**	(4,353)
Interest received		**119**	224
Interest paid		**(38)**	—
Overseas taxes refunded/(paid)		**7**	(149)
Net cash flows used in operating activities		**(8,575)**	(4,278)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(33)**	(446)
Purchases of items of other intangible assets		**(571)**	(5,327)
Acquisition of a business	27	**(30,000)**	(5,000)
Net cash flows used in investing activities		**(30,604)**	(10,773)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares		**—**	27,226
New loans	22	**30,000**	—
Purchase of shares held under share award scheme	24	**(2,558)**	—
Principal portion of lease payments	28(b)	**(964)**	—
Net cash flows from financing activities		**26,478**	27,226
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(12,701)**	12,175
Cash and cash equivalents at beginning of year	19	**17,641**	6,031
Effect of foreign exchange rate changes, net		**(115)**	(565)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**4,825**	17,641
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**3,638**	7,459
Time deposits with original maturity of less than three months when acquired		**1,187**	10,182
Cash and cash equivalents as stated in the statement of cash flows	19	**4,825**	17,641

1. CORPORATE AND GROUP INFORMATION

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

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

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

Information about subsidiaries

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

Name	Place and date of incorporation/registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Vobile, Inc. ("Vobile US")*	United States May 20, 2005	—	—	100%	SaaS
Vobile Japan, Inc. ("Vobile Japan")*	Japan September 5, 2009	JPY20,000,000	99.75%	—	SaaS
Vobile Group (HK) Limited ("Vobile Hong Kong")	Hong Kong December 18, 2014	HK$1,000,000	100%	—	SaaS
Vobile Canada Inc. ("Vobile Canada")*	Canada January 30, 2015	—	100%	—	SaaS
LRC Oregon Inc. ("LRC")*	United States June 30, 1997	—	—	100%	—
Vobile Home Entertainment LLC ("Vobile LLC")*	United States January 29, 2015	US$1	—	100%	—
Hangzhou Vobile Technology Co. LTD. ("Vobile Hangzhou")***	PRC/Mainland China February 8, 2018	RMB200,000,000	—	100%	SaaS
Vobile Australia PTY., LTD. ("Vobile Australia")**	Australia October 23, 2018	AUD1	—	100%	SaaS
Guangzhou Vobile Technology Co. LTD. ("Vobile Guangzhou")***	PRC/Mainland China March 25, 2019	RMB50,000,000	—	100%	SaaS
Vobile Holding, Inc. ("Vobile Holding")*	United States November 1, 2019	US$0.01	100%	—	SaaS

Notes:

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

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

*** Vobile Hangzhou and Vobile Guangzhou are limited liability companies wholly-owned by a Hong Kong, Macau, or Taiwan entity ("有限責任公司(港澳台獨資)") under PRC law. They are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended December 31, 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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 to IFRSs 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 financial statements, the nature and impact of IFRS 16 is described below:

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-5 *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 to recognize and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has 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 has been 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 continued to be reported under IAS 17 and related interpretations.

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.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for offices. 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 leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognizing rental expenses under operating leases on a straight-line basis over the lease term commencing from January 1, 2019, the Group recognizes depreciation of the right-of-use assets and interest accrued on the outstanding lease liabilities as finance costs.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

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 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.

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

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Using a single discount rate to a portfolio of leases with reasonably similar characteristics
- Accounting for the leases of which the lease term ends within 12 months from the date of initial application in the same way as short-term leases, and including the cost associated with these leases within the disclosure of short-term lease expenses

Financial impact at January 1, 2019

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

	Increase/ (decreased) US$'000
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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Financial impact at January 1, 2019 (Continued)

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

	US$'000
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 ended on or before December 31, 2019	(304)
Lease liabilities as at January 1, 2019	1,760

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]

1 Effective for annual periods beginning on or after January 1, 2020
2 Effective for annual periods beginning on or after January 1, 2021
3 Effective for annual periods beginning on or after January 1, 2022
4 No mandatory effective date yet determined but available for adoption

The directors of the Group considered that the application of the above issued but not yet effective IFRSs will not have a material impact on the Group's consolidated financial results.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Merger method of accounting for business combination under common control

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

Fair value measurement

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

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

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

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

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

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

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

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

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

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

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

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

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

Intangible assets (other than goodwill)

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Research and development costs

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

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

Deferred development costs are stated at cost less any impairment losses and are amortized using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (applicable from January 1, 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). 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. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Offices: 1.5 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) 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 its incremental borrowing rate at the lease commencement date because 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 the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (applicable from January 1, 2019) (Continued)

Group as a lessee (Continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of offices (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. Lease payments on short-term leases are recognized as an expense on a straight-line basis over the lease term.

Leases (applicable before January 1, 2019)

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, 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. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

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

Subsequent measurement

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

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. 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, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

For other receivables, the Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade payables, other payables and accruals, lease liabilities and interest-bearing borrowings.

Financial liabilities at amortized cost (loans and borrowings)

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

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

Derecognition of financial liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Offsetting of financial instruments

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

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognized directly in equity at cost. No gain or loss is recognized in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Cash and cash equivalents

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

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

Provisions

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

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

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognized in accordance with the general policy for provisions above; and (ii) the amount initially recognized less, when appropriate, the amount of income recognized in accordance with the policy for revenue recognition.

Income tax

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) Rendering of services

Revenue from the rendering of services is recognized over time or at a point in time with reference to the detailed terms of transactions as stipulated in the contracts entered into with its customers and counterparties.

Services revenue

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

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

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

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

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

Other income

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

Contract liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

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

The cost of equity-settled transactions with employees and consultants for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes model, further details of which are given in note 25 to the financial statements.

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other employee benefits

Pension scheme

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

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

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

Foreign currencies

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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

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

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

3. SIGNIFICANT ACCOUNTING ESTIMATES

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

Estimation uncertainty

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

Provision for expected credit losses on trade receivables and other receivables

The Group uses a provision matrix to calculate ECLs for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade and other receivables is disclosed in notes 17 and 18 to the financial statements, respectively.

Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognized tax losses at December 31, 2019 was US$4,277,000 (2018: US$2,418,000). Further details are contained in note 23 to the financial statements.

Useful lives of property, plant and equipment and intangible assets

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

3. SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

Estimation uncertainty (Continued)

Development costs

Development costs are capitalized in accordance with the accounting policy for research and development costs as disclosed in note 2.4 to the financial statements. Determining the amounts to be capitalized requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At December 31, 2019, the best estimate of the carrying amount of capitalized development costs was US$5,846,000 (2018: US$5,323,000).

Impairment of non-financial assets (other than goodwill)

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at December 31, 2019 was US$78,921,000 (2018: US$13,622,000). Further details are given in note 15 to the financial statements.

Business combination

On November 16, 2019, the Group acquired the Rights ID and Channel ID business (the "Acquired Business") from ZEFR, Inc. The Group purchased several office equipment as property, plant and equipment and the technology that provides semantic-search-based content identification to identify and contextualize semantics within video metadata from the acquisition. The residual portion of the purchase consideration was allocated as goodwill, which represents the balance of the purchase consideration over the fair value of identifiable net assets acquired by the Group. The purchase price allocation has involved significant management judgement and estimation, such as the valuation methodologies, budgeted revenue, budged profit margins, the discount rate adopted and the estimation of useful life of the intangible asset. Further details are given in note 27 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	2019 US$'000	2018 US$'000
United States	**17,353**	14,269
Japan	**1,250**	764
Mainland China	**158**	113
Others	**20**	79
	18,781	15,225

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 United States. Accordingly, no geographical information of segment assets is presented.

Information about a major customer

During the years ended December 31, 2019 and 2018, there was no customer with whom transactions exceeded 10% of the Group's revenue.

5. REVENUE AND OTHER INCOME AND GAINS

Revenue represents the value of services rendered during the year.

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

	2019 US$'000	2018 US$'000
Revenue from contracts with customers		
Rendering of services	**18,781**	15,225

5. REVENUE AND OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

	2019 US$'000	2018 US$'000
Timing of revenue recognition		
Services transferred overtime	**18,781**	15,225

The following table shows the amounts of revenue recognized in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognized from performance obligations satisfied in previous periods:

	2019 US$'000	2018 US$'000
Revenue recognized that was included in contract liabilities at the beginning of the reporting period:		
Rendering of services	**520**	567

(ii) Performance obligations

Information about the Group's performance obligations is summarized below:

Rendering of services

The performance obligation is satisfied over time as services are rendered and advance payments are sometimes received for certain services. For other SaaS services, payment is generally due within 30 days.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31 are as follows:

	2019 US$'000	2018 US$'000
Within one year	**526**	520

	2019 US$'000	2018 US$'000
Other income and gains		
Interest income	**119**	224
Foreign exchange gains	**99**	35
Others	**110**	3
	328	262

6. LOSS BEFORE TAX

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

	2019 US$'000	2018 US$'000
Cost of services provided	**5,329**	3,001
Employee benefit expense (excluding Directors' and chief executive's remuneration (note 8)):		
Wages and salaries	**6,945**	5,279
Equity-settled share option expense	**45**	86
Other benefits	**484**	393
Pension scheme contributions	**15**	15
	7,489	5,773
Depreciation of items of property, plant and equipment (note 13)	**305**	262
Depreciation of right-of-use assets (note 14)	**940**	—
Amortization of other intangible assets (note 16)	**70**	—
Lease payments not included in the measurement of lease liabilities	**559**	—
Minimum lease payments under operating leases	**—**	1,108
Impairment of trade receivables, net	**3**	(13)
Research and development expenses	**2,501**	1,577
Auditor's remuneration	**293**	240
Other listing fees expensed off	**—**	377
Bank interest income (note 5)	**(119)**	(224)
Foreign exchange differences, net	**(18)**	92

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 US$'000	2018 US$'000
Interest on loans	**611**	—
Interest on lease liabilities	**38**	—
	649	—

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

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

	2019 US$'000	2018 US$'000
Fees	**45**	45
Other emoluments:		
Salaries, allowances and benefits in kind	**632**	721
Equity-settled share option expense	**102**	152
Pension scheme contributions	**—**	—
	779	918

During the year, certain Directors were granted share options, in respect of their services to the Group, under the share option scheme of the Then Ultimate Holding Company, further details of which are set out in note 25 to the financial statements. The fair value of such options, which has been recognized in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above Directors' and chief executive's remuneration disclosures.

(a) Independent non-executive Directors

The fees paid to independent non-executive directors during the year were as follows:

	2019 US$'000	2018 US$'000
Mr. Chan King Man Kevin	**15**	15
Mr. James Alan Chiddix	**15**	15
Mr. Charles Eric Eesley	**15**	15
	45	45

There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

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

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

	Fees US$'000	Salaries, allowances and benefits in kind US$'000	Bonus US$'000	Equity-settled share option expense US$'000	Pension scheme contributions US$'000	Total US$'000
2019						
Executive Directors:						
— Mr. Yangbin Bernard Wang*	—	350	—	90	—	440
— Mr. Michael Paul Witte	—	282	—	5	—	287
	—	632	—	95	—	727
Non-executive Directors:						
— Mr. Vernon Edward Altman	15	—	—	—	—	15
— Mr. J David Wargo	15	—	—	—	—	15
— Mr. Wong Wai Kwan	15	—	—	7	—	22
	45	632	—	102	—	779
2018						
Executive Directors:						
— Mr. Yangbin Bernard Wang*	—	350	—	135	—	485
— Mr. Xianming Zhu**	—	91	—	—	—	91
— Mr. Michael Paul Witte	—	280	—	7	—	287
	—	721	—	142	—	863
Non-executive Directors:						
— Mr. Vernon Edward Altman	15	—	—	—	—	15
— Mr. J David Wargo	15	—	—	—	—	15
— Mr. Wong Wai Kwan	15	—	—	10	—	25
	45	721	—	152	—	918

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

** Mr. Xianming Zhu has served as an executive director of the Company until July 13, 2018.

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

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

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two Directors (2018: two), details of whose remuneration are set out in note 8(b) above. Details of the remuneration for the year of the remaining three (2018: three) highest paid employees who are neither a Director nor chief executive of the Group are as follows:

	2019 US$'000	2018 US$'000
Salaries, allowances and benefits in kind	**621**	510
Bonus	**—**	—
Pension scheme contribution	**—**	—
Equity-settled share option expense	**9**	20
	630	530

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

	Number of employees	
	2019	2018
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,500,000	**2**	1
	3	3

During the year and in prior years, share options were granted to a non-Director and non-chief executive highest paid employee in respect of the services to the Group, further details of which are included in the disclosures in note 25 to the financial statements. The fair value of such options, which has been recognized in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-Director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX CREDIT

Income tax consists primarily of United States, Hong Kong and Japan enterprise income tax charged on the Group. United States income tax applicable to the Group is charged at the federal tax rate of 21% (2018: 21%) for the year ended December 31, 2019. The income tax applicable to Hong Kong profits was provided at a statutory tax rate of 16.5% during the year ended December 31, 2019. 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 for the years are as follows:

	2019 US$'000	2018 US$'000
Current — United States		
Charge for the year	**4**	(252)
Current — Hong Kong		
Charge for the year	**—**	1
Current — Japan		
Charge for the year	**14**	20
Deferred tax expenses from change in federal tax rate resulted from the U.S. Tax Cuts and Jobs Act ("TCJA") (note 23)	**—**	492
Deferred tax expenses — Others (note 23)	**(1,889)**	(283)
Total tax credit for the year	**(1,871)**	(22)

A reconciliation of the U.S. federal statutory income tax rate of 21.0% (2018: 21.0%) to the Group's effective tax rate is as follows:

	2019 US$'000	2018 US$'000
Loss before tax	**(8,061)**	(2,524)
Tax at the U.S. federal statutory income tax rate	**(1,693)**	(530)
U.S. state income taxes, net of federal benefit	**(420)**	(64)
Lower tax rate for specific jurisdictions	**165**	217
Non-deductible expenses	**30**	136
Additional deductible allowance for research and development costs	**(119)**	(115)
Change in federal tax rate resulted from the TCJA	**—**	492
Others	**166**	(158)
Tax charge at the Group's effective tax rate	**(1,871)**	(22)

11. DIVIDENDS

The Board does not recommend payment of any dividend for the year ended December 31, 2019 (2018: Nil).

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 424,874,536 (2018: 423,640,015) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended December 31, 2019 and 2018 in respect of a dilution as the impact of the share option scheme had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of loss per share attributable to ordinary equity holders of the Company for each of the years ended December 31, 2019 and 2018 are based on the following data:

	2019 US$'000	2018 US$'000
Loss		
Loss attributable to ordinary equity holders of the Company, used in the basic and diluted loss per share calculation	**(6,190)**	(2,502)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**424,874,536**	423,640,015
Effect of dilution — Weighted average number of ordinary shares:	**9,567,595**	9,678,328
	434,442,131*	433,318,343*

* Because the diluted loss per share amount is decreased when taking share options into account, the share options had an anti-dilutive effect on the basic loss per share for the year 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 year of US$6,190,000, and the weighted average number of ordinary shares of 424,874,536 in issue during the year.

13. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment US$'000	Leasehold improvements US$'000	Furniture and fixtures US$'000	Motor vehicles US$'000	Total US$'000
December 31, 2019					
At December 31, 2018 and at January 1, 2019					
Cost	1,001	509	186	145	1,841
Accumulated depreciation	(846)	(232)	(148)	(17)	(1,243)
Net carrying amount	155	277	38	128	598
At January 1, 2019, net of accumulated depreciation	155	277	38	128	598
Additions	6	—	27	—	33
Acquisition of a business (note 27)	52	—	—	—	52
Depreciation provided during the year	(122)	(132)	(22)	(29)	(305)
At December 31, 2019, net of accumulated depreciation	91	145	43	99	378
At December 31, 2019:					
Cost	1,059	509	213	145	1,926
Accumulated depreciation	(968)	(364)	(170)	(46)	(1,548)
Net carrying amount	91	145	43	99	378
December 31, 2018					
At December 31, 2017 and at January 1, 2018					
Cost	988	233	170	—	1,391
Accumulated depreciation	(716)	(151)	(114)	—	(981)
Net carrying amount	272	82	56	—	410
At January 1, 2018, net of accumulated depreciation	272	82	56	—	410
Additions	9	276	16	145	446
Acquisition of a business (note 27)	4	—	—	—	4
Depreciation provided during the year	(130)	(81)	(34)	(17)	(262)
At December 31, 2018, net of accumulated depreciation	155	277	38	128	598
At December 31, 2018:					
Cost	1,001	509	186	145	1,841
Accumulated depreciation	(846)	(232)	(148)	(17)	(1,243)
Net carrying amount	155	277	38	128	598

14. LEASES

The Group as a lessee

The Group has lease contracts for office rental used in its operations. Leases of offices generally have lease terms between 1.5 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Offices US$'000
As at January 1, 2019	1,760
Additions	197
Depreciation charge	(940)
As at December 31, 2019	1,017

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	Lease liabilities US$'000
Carrying amount at January 1	1,760
New leases	197
Accretion of interests recognized during the year	38
Payments	(1,002)
Carrying amount at December 31	993
Analyzed into:	
Current portion	753
Non-current portion	240

14. LEASES (Continued)

The Group as a lessee (Continued)

(c) The amounts recognized in profit or loss in relation to leases are as follows:

	2019 US$'000
Interest on lease liabilities	38
Depreciation charge of right-of-use assets	940
Expense relating to short-term leases and other leases with remaining lease terms ended on or before December 31, 2019 (included in administrative expenses)	559
Total amount recognized in profit or loss	1,537

(d) The total cash outflow for leases are disclosed in note 28(c) to the financial statements.

15. GOODWILL

	US$'000
Cost as at December 31, 2018 and January 1, 2019	13,622
Acquisition of a business (note 27)	65,299
Impairment	—
Net carrying amount as at December 31, 2019	78,921

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Transaction-based SaaS Business cash-generating unit ("TBS CGU"); and
- Peer to peer network technology cash-generating unit ("P2P CGU").

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	TBS CGU		P2P CGU		Total	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Carrying amount of goodwill	72,138	6,839	6,783	6,783	78,921	13,622

15. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Transaction-based SaaS Business cash-generating unit

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

The Group purchased the Acquired Business on November 16, 2019. The acquisition brought in technology complementary, expanded monetization, as well as enhanced sales proposition for the Group. The Acquired Business and the original Transaction-based SaaS Business share similar customer base. Management has restructured the businesses after the acquisition. Acquired Business share the operating, server, administration and research and development resources with the original transaction-based business's team and as a result, the Transaction-based SaaS business CGU is enlarged with the Acquired Business. After the restructuring, businesses within this CGU share similar technologies and are able to provide diversified monetization service offerings. Accordingly, the Group considered the Acquired Business as an integral part of the Transaction-based SaaS Business cash-generating unit in the impairment assessment of goodwill.

The recoverable amount of the CGU has been determined based on a value-in-use calculation using five-year cash flow projections approved by senior management. An assessment was made at the end of the year.

Key assumptions used in the calculation are as follows:

	2019	2018
Revenue (% compound growth rate)	**10%**	11%
Gross margin (% of revenue)	**43%**	44%
Terminal growth rate	**3%**	3%
Pre-tax discount rate	**17%**	17%

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

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

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

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

If the pre-tax discount rate rose to 23% or the gross profit margin decreased to 34% (with other assumptions remaining unchanged), the recoverable amount of the cash-generating unit would be decreased to the carrying amount of goodwill. Except for these, any reasonably possible changes in the other key assumptions used in the value-in-use assessment model would not affect management's view on impairment at December 31, 2019.

15. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Transaction-based SaaS Business cash-generating unit (Continued)

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

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

Peer to peer network technology cash-generating unit

The Group acquired the business from the IP-Echelon on November 19, 2018, to solidify its leadership position in content protection globally and strengthen its ability to provide comprehensive solutions against any emerging threats of content piracy online. The acquisition also enables the Group to implement its plan to proactively expand geographic coverage internationally.

The recoverable amount of the CGU has been determined based on a value-in-use calculation using five-year cash flow projections approved by senior management. An assessment was made at the end of the year.

Key assumptions used in the calculation are as follows:

	2019	2018
Revenue (% compound growth rate)	**8%**	8%
Gross margin (% of revenue)	**83%**	85%
Terminal growth rate	**3%**	3%
Pre-tax discount rate	**17%**	17%

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

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

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

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

If the pre-tax discount rate rose to 29% or the gross profit margin decreased to 57% (with other assumptions remaining unchanged), the recoverable amount of the cash-generating unit would be decreased to the carrying amount of goodwill. Except for these, any reasonably possible changes in the other key assumptions used in the value-in-use assessment model would not affect management's view on impairment at December 31, 2019.

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

15. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Peer to peer network technology cash-generating unit (Continued)

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

16. OTHER INTANGIBLE ASSETS

	Deferred development costs US$'000	Software US$'000	Technology US$'000	Total US$'000
December 31, 2019				
Cost at December 31, 2018 and January 1, 2019 net of accumulated amortization	**5,323**	**17**	**—**	**5,340**
Additions	**523**	**48**	**—**	**571**
Acquisition of a business (note 27)	**—**	**—**	**2,509**	**2,509**
Amortization provided During the year	**—**	**(4)**	**(66)**	**(70)**
At December 31, 2019	**5,846**	**61**	**2,443**	**8,350**
At December 31, 2019				
Cost	**5,846**	**172**	**2,509**	**8,527**
Accumulated amortization	**—**	**(111)**	**(66)**	**(177)**
Net carrying amount	**5,846**	**61**	**2,443**	**8,350**
December 31, 2018				
Cost at January 1, 2018 net of accumulated amortization	—	—	—	—
Additions	5,323	4	—	5,327
Acquisition of a business	—	13	—	13
At December 31, 2018	5,323	17	—	5,340
At December 31, 2018				
Cost	5,323	124	—	5,447
Accumulated amortization	—	(107)	—	(107)
Net carrying amount	5,323	17	—	5,340

17. TRADE RECEIVABLES

	2019 US$'000	2018 US$'000
Trade receivables	**13,781**	8,191
Impairment	**(38)**	(35)
	13,743	8,156

The Group's trading terms with its debtors are usually 10 to 60 days. The Group always recognizes lifetime ECL for all trade receivables and measures the lifetime ECL on a specific basis according to management's assessment of the recoverability of an individual receivable. Management considers the number of days that an individual receivable is outstanding, historical experience and forward-looking information to determine the recoverability of the trade receivable. 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 ageing analysis of the current trade receivables as at December 31, 2019, based on the invoice date and net of loss allowance, is as follows:

	2019 US$'000	2018 US$'000
Within 90 days	**9,655**	3,675
91 to 180 days	**1,110**	1,345
181 to 365 days	**818**	2,106
Over 365 days	**2,160**	1,030
	13,743	8,156

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

	2019 US$'000	2018 US$'000
At beginning of year	**35**	48
Impairment losses, net	**3**	(13)
At end of year	**38**	35

17. TRADE RECEIVABLES (Continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at December 31, 2019

		Past due			
	Current	Less than 3 months	3 to 6 months	Over 6 months	Total
Expected credit loss rate	**0.01%**	**0.05%**	**0.3%**	**1.1%**	**0.3%**
Gross carrying amount (US$'000)	**7,134**	**2,729**	**925**	**2,993**	**13,781**
Expected credit losses (US$'000)	**1**	**1**	**3**	**33**	**38**

As at December 31, 2018

		Past due			
	Current	Less than 3 months	3 to 6 months	Over 6 months	Total
Expected credit loss rate	0.01%	1.0%	1.1%	2.5%	0.4%
Gross carrying amount (US$'000)	5,020	1,075	2,047	49	8,191
Expected credit losses (US$'000)	—	11	23	1	35

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2019 US$'000	2018 US$'000
Prepayments	**3,140**	2,173
Other receivables and other assets	**977**	550
	4,117	2,723
Portion classified as current assets	**(4,080)**	(2,556)
Non-current portion	**37**	167

Other receivables and other assets mainly represent rental deposits and deposits with suppliers. The financial assets included in the above balances relate to receivables and assets for which there was no recent history of default. The Group has thereby concluded that the expected credit loss rates for trade receivables are a reasonable approximation of the rates for the other receivables and other assets. Since the other receivables and other assets are related to receivables which are still in current and the payment is not due, the expected credit loss rates of other receivables and other assets are assessed to be minimal.

19. CASH AND CASH EQUIVALENTS

	2019 US$'000	2018 US$'000
Cash and bank balances	**3,638**	7,459
Time deposits	**1,187**	10,182
	4,825	17,641
Denominated in HK$	**1,070**	10,983
Denominated in US$	**2,747**	5,383
Denominated in RMB	**463**	722
Denominated in JPY	**519**	461
Denominated in AU$	**13**	83
Denominated in CA$	**13**	9
Cash and bank balances	**4,825**	17,641

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits earn interest at deposit rates proposed by the banks. The bank balances are deposited with creditworthy banks with no recent history of default.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

20. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2019 US$'000	2018 US$'000
Within 90 days	**5,579**	2,618
90 to 180 days	**116**	—
	5,695	2,618

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

21. OTHER PAYABLES AND ACCRUALS

	2019 US$'000	2018 US$'000
Other payables	**3,177**	271
Accruals	**1,758**	3,146
Contract liabilities	**526**	520
Payroll and welfare accruals	**845**	448
	6,306	4,385

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

22. INTEREST-BEARING BORROWINGS

On November 16, 2019, the Company entered into a credit agreement with ACCEL-KKR Credit Partners SPV, LLC as the agent for a total loan amount of US$30 million. This loan is executed in relation with the acquisition of the Acquired Business that was completed on November 16, 2019. According to the loan payment schedule, US$1.5 million will be repaid by full before December 31, 2020 and is classified as current liabilities, while the remaining balance of US$28.5 million with maturity ranged from 2021 to 2023 is classified as non-current liabilities. This loan is secured by all assets of LRC, Vobile Holding, Vobile LLC and Vobile US, collectively as the guarantor as collateral. This loan bears interest at London Inter-Bank Offered Rate plus eight to nine percent.

Secured subordinated note of US$20 million has been executed and delivered in relation to the acquisition of the Acquired Business, to satisfy part of the purchase consideration with ZEFR, Inc. as the Seller of the acquired business. This secured subordinate note bears interest at eight percent and matures in 2024.

As at December 31, 2019, the Group had interest-bearing borrowings of US$1.5 million repayable within one year, US$2.3 million repayable in the second year and US$3.0 million repayable in the third year, US$23.2 million repayable in the fourth year and US$20 million repayable in the fifth year.

23. DEFERRED TAX ASSETS

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

	Losses available for offsetting against future taxable profits US$'000	Depreciation allowance in excess of related depreciation US$'000	Research and development costs US$'000	Tax deduction of goodwill US$'000	Others US$'000	Total US$'000
At January 1, 2018	2,096	24	640	(303)	128	2,585
Deferred tax credited/(charged) to profit or loss during the year	322	19	291	(276)	(565)	(209)
At December 31, 2018 and January 1, 2019	2,418	43	931	(579)	(437)	2,376
Deferred tax credited/(charged) to profit or loss during the year	1,859	(469)	105	(9)	403	1,889
At December 31, 2019	**4,277**	**(426)**	**1,036**	**(588)**	**(34)**	**4,265**

As at December 31, 2019, deferred tax assets related to Vobile US have been calculated at a composite statutory tax rate of 27.83%, which consisted of a federal income tax rate of 21% and multiple state income tax rates.

Deferred tax assets had been provided for the losses available for offsetting against future taxable profits. The Group had tax losses and unutilized deduction arising in the United States of US$15,367,000 as at December 31, 2019 (2018: US$8,738,000), that will expire in twenty years, from December 31, 2019 for offsetting against future taxable profits.

24. SHARE CAPITAL

	2019 US$'000	2018 US$'000
Issued and fully paid (US$0.0001 per share): 424,874,536 ordinary shares (2018: 424,874,536)	**42**	42

24. SHARE CAPITAL (Continued)

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital US$'000	Treasury shares US$'000
At January 1, 2018	83,293,634	8	—
Capitalization issue of shares (a)	249,880,902	25	—
Issue of shares from initial public offering (b)	91,700,000	9	—
At December 31, 2018, and January 1, 2019	424,874,536	42	—
Shares repurchased for share award scheme (c)	—	—	(2,558)
At December 31, 2019	424,874,536	42	(2,558)

Notes:

(a) The Company capitalized US$24,988.0902 standing to the credit of the share premium account of the Company to pay up in full 249,880,902 new ordinary shares for allotment and issue pari passu to the then existing shareholders of the Company.

(b) In connection with the Company's initial public offering, 91,700,000 new shares of US$0.0001 each were issued at a price of HK$2.58 per share for a total cash consideration, before expenses, of approximately HK$236,586,000 on January 4, 2018.

(c) On May 6, 2019, the Board adopted a 10-year share award scheme (the "Scheme") to incentivize, recognize and reward the contributions of certain eligible persons ("Eligible Persons") to the growth and 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 Eligible Persons 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 participants for participation in the Scheme as Eligible Persons and determine the number of awarded shares.

At December 31, 2019, no share was granted under the Scheme.

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 year	2,558	7,870,000
At December 31	2,558	7,870,000

25. SHARE OPTION SCHEME

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

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

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

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

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

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

25. SHARE OPTION SCHEME (Continued)

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

	2019 Weighted average exercise price US$ Per share	2019 Number of options '000	2018 Weighted average exercise price US$ per share	2018 Number of options '000
At January 1	**0.1317**	**14,976**	0.5250	4,000
Adjusted upon the Capitalization*	**—**	**—**	—	12,000
Forfeited during the year	**0.1317**	**(512)**	0.1250	(1,024)
At December 31	**0.1317**	**14,464**	0.1317	14,976

* On January 4, 2018, all Pre-IPO Options granted for an aggregate of 4,000,000 shares with an exercise price of US$0.50 (equivalent to approximately HK$3.9059) per share were adjusted to an aggregate of 16,000,000 shares with US$0.125 per share upon the Capitalization Issue, except that the Pre-IPO incentive stock options granted to Mr. Yangbin Bernard Wang with an exercise price of US$0.55 (equivalent to approximately HK$4.2965) per share were adjusted to US$0.1375 per share upon the Capitalization Issue.

2019

Number of options '000	Exercise price US$ per share	Exercise period
14,464	**0.1317**	**April 25, 2019 to April 25, 2027**

2018

Number of options '000	Exercise price US$ per share	Exercise period
14,976	0.1317	April 25, 2019 to April 25, 2027

The fair value of share options granted during the year was estimated as at the date of grant using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. During the year, no option was granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme.

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

26. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity on page 48 of the financial statements.

Merger reserve

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

Other reserve

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

27. BUSINESS COMBINATION

On July 19, 2019, the wholly-owned subsidiary of the Company, Vobile Inc., entered into an asset purchase agreement with ZEFR, Inc. pursuant to which Vobile Inc. agreed to buy all of the Acquired Business's related assets and business records.

The Group is a leading provider of online video content protection and monetization services, helping its content owner customers identify potentially infringing content and reduce infringement-induced revenue loss and increase their revenue by utilizing our content monetization platform to facilitate online video distribution using a revenue-sharing model. The Acquired Business is engaged in digital media rights management and monetization. The Company considered this acquisition as an excellent opportunity for the Group to embrace market opportunities to further consolidate its position as the leader in online video content protection and monetization. The acquisition brought in technology complementary, expanded monetization, as well as enhanced sales proposition for the Group.

The Acquired Business will enable the Group to further strengthen its competitive edge in providing monetization services. The Group will be able to expand its monetizing opportunities across rights-claimed content inventories on video and social media platforms, and will have greater depth of connection within their shared rights holder clients, and an enhanced sales position to offer newly cross sold rights holder clients. Accordingly, the acquisition extended the Group's Transaction-based SaaS Business, and the goodwill arose from the acquisition was allocated to the Transaction-based SaaS Business cash-generating unit (note 15).

The purchase consideration for the acquisition was in the form of cash, a secured subordinated note and an earn-out amount, with US$30,000,000 paid at the acquisition date, US$20,000,000 as a secured subordinated note, and the remaining as a consideration payable, ranging from Nil to US$40,000,000, depending on the revenue and EBITDA generated from the Acquired Business within the 12-month period after the acquisition has been completed.

On November 16, 2019, the acquisition was completed.

27. BUSINESS COMBINATION (Continued)

The fair values of the identifiable assets and liabilities of Acquired Business were as follows:

	Fair value recognized on acquisition US$'000
Property, plant and equipment (note 13)	52
Intangible asset — Technology (note 16)	2,509
Total identifiable net assets at fair value	2,561
Goodwill on acquisition**	65,299
Satisfied by cash consideration paid	30,000
Satisfied by a secured subordinated note (note 22)	20,000
Contingent consideration*	17,860
	67,860

* As part of the purchase agreement, contingent consideration is payable, which is dependent on the amount of revenue and EBITDA of the Acquired Business during the 12-month period subsequent to the acquisition. The initial amount recognized was US$17,860,000 according to the profit forecast and the purchase agreement, which was determined using the probability-weighted payout approach and is within Level 3 fair value measurement. At the date of approval of these financial statements, no further significant changes to the consideration are expected.

** Goodwill of US$65,299,000 recognized is expected to be deductible for income tax purposes under the US tax laws.

*** The Group incurred transaction costs of US$4,791,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisition is as follows:

	US$'000
Cash consideration paid	(30,000)
Cash and bank balances acquired	—
Net outflow of cash and cash equivalents included in cash flows from investing activities	(30,000)
Transaction costs of the acquisition included in cash flows from operating activities	(4,791)
	(34,791)

Since the acquisition, the Acquired business contributed US$3,620,000 to the Group's revenue, US$791,000 to the Group's EBITDA and US$88,000 to the consolidated profit for the year ended December 31, 2019.

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of US$197,000 and US$197,000, respectively, in respect of lease arrangements for offices (2018: Nil).

(b) Changes in liabilities arising from financing activities

	Interest-bearing borrowing US$'000	Lease liabilities US$'000
At December 31, 2018	—	—
Effect of adoption of IFRS 16	—	1,760
At January 1, 2019 (restated)	—	1,760
Changes from financing cash flows	30,000	(964)
New leases	—	197
Interest expense	611	38
Interest paid classified as operating cash flows	—	(38)
At December 31, 2019	30,611	933

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 US$'000
Within operating activities	**38**
Within financing activities	**964**
	1,002

29. COMMITMENTS

Operating lease commitments as at December 31, 2018

The Group leased its offices under operating lease arrangements. Leases for office premises are negotiated for terms ranging from 1.5 to 5 years.

As at December 31, 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 US$'000
Within one year	1,363
In the second to fifth years, inclusive	768
	2,131

30. CONTINGENT LIABILITIES

The Group and the Company had no significant contingent liabilities at the end of the reporting period (2018: Nil).

31. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at December 31, 2019 are as follows:

Financial assets — loans and receivables

	2019 US$'000	2018 US$'000
Trade receivables	**13,743**	8,156
Financial assets included in prepayments,other receivables and other assets	**995**	294
Cash and cash equivalents	**4,825**	17,641
	19,563	26,091

31. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities — financial liabilities at amortized cost

	2019 US$'000	2018 US$'000
Trade payables	**5,695**	2,618
Interest-bearing borrowings	**50,000**	—
Lease liabilities	**993**	—
Financial liabilities included in other payables and accruals	**5,780**	3,865
	62,468	6,483

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Financial liabilities included in Other payables and accruals	**—**	1,800	**—**	1,800
Other liabilities	**17,860**	—	**17,860**	—
	17,860	1,800	**17,860**	1,800

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables, other liabilities, lease liabilities and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments. The carrying amount of interest-bearing borrowings approximates fair value due to variable interest rate terms stick to the market interest rate.

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

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

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Below is a summary of the significant unobservable input to the valuation of financial instruments as at December 31, 2019:

As part of the assets purchase agreement, contingent consideration is payable, which is dependent on the amount of revenue and EBITDA of the Acquired Business during the 12-month period subsequent to the acquisition. The initial amount recognized was US$17,860,000 according to the profit forecast and the purchase agreement, which was determined using the probability-weighted payout approach and is within Level 3 fair value measurement. At the date of approval of these financial statements, no further significant changes to the consideration are expected.

Significant unobservable valuation input for the fair value measurement of contingent consideration is as follows:

It is expected that the amount of revenue and EBITDA of the Acquired Business during the 12-month period subsequent to the acquisition will meet the expected level.

If the revenue and EBITDA of the Acquired Business during the 12-months period subsequent to the acquisition deviate from the expected level, there would be a significant fluctuation in the fair value of the contingent consideration liability.

Fair value hierarchy

The following tables illustrated the fair value measurement hierarchy of the Group's financial instruments:

Liabilities measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) US$'000	**Significant observable inputs (Level 2)** US$'000	**Significant unobservable inputs (Level 3)** US$'000	**Total** US$'000
Other liabilities	—	—	17,860	17,860

The movements in fair value measurements in Level 3 during the year are as follows:

	Amounts included in other payables and accruals US$'000	**Other liabilities** US$'000
At December 31, 2018 and January 1, 2019	1,800	—
Addition	—	17,860
Transferred out of level 3	(1,800)	—
At December 31, 2019	—	17,860

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarized below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss after tax and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in loss after tax US$'000
2019		
United States dollar	100	165
United States dollar	(100)	(43)

There were no long-term debt obligations in 2018.

Credit risk

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

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at December 31, 2019. For listed debt investments, the Group also monitors them by using external credit ratings. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at December 31, 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 US$'000	Stage 2 US$'000	Stage 3 US$'000	Simplified approach US$'000	Total US$'000
Trade receivables*	—	—	—	13,743	13,743
Financial assets included in prepayments, other receivables and other assets — Normal**	995	—	—	—	995
Cash and cash equivalents not yet past due	4,825	—	—	—	4,825
	5,820	—	—	13,743	19,563

As at December 31, 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1 US$'000	Stage 2 US$'000	Stage 3 US$'000	Simplified approach US$'000	Total US$'000
Trade receivables*	—	—	—	8,156	8,156
Financial assets included in prepayments, other receivables and other assets — Normal**	294	—	—	—	294
Cash and cash equivalents not yet past due	17,641	—	—	—	17,641
	17,935	—	—	8,156	26,091

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 17 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets and the amounts due from related parties is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

The credit risk of the Group's other financial assets, which mainly comprise cash and restricted deposits, other receivables and amounts due from and to related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. In addition, trade and bills receivable balances are monitored on an ongoing basis and the Group's exposure to bad debt is not significant.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

At the end of year 2019, the Group had certain concentrations of credit risk as 3% (2018: 3%) and 9% (2018: 8%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 17 to the financial statements.

Liquidity risk

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

The maturity profile of the Group's financial liabilities as at December 31, 2018 and 2019, based on the contractual undiscounted payments, is as follows:

2019

	On demand US$'000	Within 1 year US$'000	Over 1 year US$'000	Total US$'000
Trade payables	—	5,695	—	5,695
Interest-bearing borrowings	—	1,500	48,500	50,000
Lease liabilities	—	753	240	993
Financial liabilities included in other payables and accruals	5,780	—	—	5,780
	5,780	7,948	48,740	62,468

2018

	On demand US$'000	Within 1 year US$'000	Over 1 year US$'000	Total US$'000
Trade payables	—	2,618	—	2,618
Financial liabilities included in other payables and accruals	3,865	—	—	3,865
	3,865	2,618	—	6,483

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended December 31, 2019 and December 31, 2018.

The Group monitors capital using a gearing ratio, which is net external debt divided by the capital plus net debt. Net debt includes interest-bearing borrowings less cash and cash equivalents. Capital includes equity attributable to owners of the Company. The gearing ratio as at the end of December 31, 2019 was as follows:

	As at December 31, 2019 US$'000
Interest-bearing borrowings	**50,000**
Less: cash and cash equivalents	**(4,825)**
Net debt	**45,175**
Equity	**35,117**
Net debt and equity	**80,292**
Gearing ratio	**56%**

The Group has adopted IFRS 16 using the modified retrospective approach and the effect of the initial adoption is adjusted against the opening balances as at January 1, 2019 with no adjustments to the comparative amounts as at December 31, 2018. As at December 31, 2018, the Group's cash and cash equivalents exceeded the financial liabilities. As such, no gearing ratio as at December 31, 2018 was presented.

34. EVENTS AFTER THE REPORTING PERIOD

Since January 2020, the outbreak of novel coronavirus ("COVID-19") continues to spread around the world. The operating infrastructure of our SaaS platforms is based on cloud computing platforms provided by multiple vendors. We have taken measures including work from home to ensure our business continuity. As for digital video industry impact from COVID-19, the shelter in place and equivalent public health social distancing initiatives may lead to an increase in DTC service utilization and social video platform consumption as home bound individuals are looking for entertainment options to fill their days and evenings during this public health crisis. With the government mandated closure of movie theatres, some major studios chose to go with digital day and date release of new movies that are not able to make their theatrical box office debuts while movie theatres remain closed. It is unclear when the social distancing restriction will end and whether there will be any long-term effect on consumer behaviors in the future. Depending on the subsequent development of COVID-19, changes in macro-economic conditions may have material impact on the business and financial of the Group, which could not be fully assessed at the time of this report. We will continue to monitor the COVID-19 situation and assess any impact on the business and financial conditions of the Group and adapt our operating plan accordingly.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2019 US$'000	2018 US$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	536	404
CURRENT ASSETS		
Prepayment	356	—
Due from subsidiaries	43,230	44,698
Cash and cash equivalents	167	1,750
Total current assets	43,753	46,448
CURRENT LIABILITIES		
Other payables and accruals	23	24
Total current liabilities	23	24
Net current assets	43,730	46,424
Net assets	44,266	46,828
EQUITY		
Share capital	42	42
Treasury shares	(2,558)	—
Reserves	46,782	46,786
Total equity	44,266	46,828

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

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

	Other reserve US$'000	Share option reserve US$'000	Retained profits/ (accumulated losses) US$'000	Total US$'000
At December 31, 2017 and January 1, 2018	20,128	225	78	20,431
Loss for the year	—	—	(1,075)	(1,075)
Equity-settled share option arrangement	—	238	—	238
Issue of shares for the IPO	30,242	—	—	30,242
Share issue expenses	(3,025)	—	—	(3,025)
Capitalization issue	(25)	—	—	(25)
At December 31, 2018 and January 1, 2019	47,320	463	(997)	46,786
Loss for the year	**—**	**—**	**(109)**	**(109)**
Equity-settled share option arrangement	**—**	**147**	**—**	**147**
Shares repurchased	**(2,558)**	**—**	**—**	**(2,558)**
At December 31, 2019	**44,762**	**610**	**(1,106)**	**44,266**

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of Directors on March 31, 2020.

FIVE YEAR FINANCIAL SUMMARY

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

	Year ended December 31,				
	2019	2018	2017	2016	2015
	US$'000	US$'000	US$'000	US$'000	US$'000
Results					
Revenue	**18,781**	15,225	15,666	16,794	17,576
(Loss)/profit before tax	**(8,061)**	(2,524)	(782)	3,974	4,257
Income tax credit/(expense)	**1,871**	22	(1,764)	(1,136)	(1,630)
(Loss)/profit for the year attributable to owners of the Company	**(6,190)**	(2,502)	(2,546)	2,838	2,627

CONSOLIDATED ASSETS AND LIABILITIES

	As at December 31,				
	2019	2018	2017	2016	2015
	US$'000	US$'000	US$'000	US$'000	US$'000
Total assets	**115,971**	50,836	24,593	25,083	24,065
Total liabilities	**80,854**	7,003	5,157	3,321	25,310
Total equity/(deficiency in assets)	**35,117**	43,833	19,436	21,762	(1,245)