THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Vobile Group Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

Vobile Group Limited
阜 博 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3738)

VERY SUBSTANTIAL ACQUISITION OF ASSETS FROM ZEFR, INC. AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A letter from the Board is set out on pages 4 to 25 of this circular. A notice convening the EGM to be held at 3 p.m. on Monday, October 28, 2019 at Room 1, United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (*http://www.hkexnews.hk*) and the Company (*http://www.vobilegroup.com*).

Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions stated thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours (i.e. not later than 3 p.m. on Saturday, October 26, 2019) before the time for holding the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment of such meeting should you so wish.

September 30, 2019

In this circular, unless the context otherwise requires, the following terms and expression have the meaning set forth below:

"Asset Purchase Agreement"	the asset purchase agreement dated July 18, 2019 (Pacific Time) entered into, among others, the Buyer and the Seller in respect of the Proposed Acquisition
"Assumed Liabilities"	the liabilities to be assumed by the Buyer pursuant to the Asset Purchase Agreement
"Board"	the board of directors of the Company
"Business Day"	any day, other than a Saturday or a Sunday, on which banks are open for business in Los Angeles, California
"ChannelID Product"	the product to provide services for channel management and content publishing for media companies
"Company" or "Buyer"	Vobile Group Limited (阜博集團有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
"Closing"	the sale and purchase of the Purchased Assets and the assumption of the assumed liabilities contemplated by the Asset Purchase Agreement
"Closing Date"	the fifth Business Day after satisfaction or waiver (if applicable) of all conditions to the obligations of the parties set forth in the Asset Purchase Agreement (other than such conditions as may, by their terms, only be satisfied at the Closing or on the Closing Date, but subject to the satisfaction or waiver of such conditions at Closing), or such other date and times as Seller and Buyer may agree in writing
"Director(s)"	the director(s) of the Company
"Earn-Out Share(s)"	the Share(s) to be issued pursuant to the Asset Purchase Agreement, if any

"EGM"	the extraordinary general meeting of the Company to be held at 3 p.m. Hong Kong on Monday, October 28, 2019 at Room 1, United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong, to consider and, if appropriate, to approve the resolution contained in the notice of the meeting which is set out on pages EGM-1 to EGM-2 of this circular, or any adjournment thereof
"Enlarged Group"	the Group following the completion of the Proposed Acquisition
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Latest Practicable Date"	September 23, 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Listing Rules"	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Purchased Assets"	the assets to be acquired by the Buyer pursuant to the Asset Purchase Agreement
"Proposed Acquisition"	the transactions contemplated under the Asset Purchase Agreement
"RightsID Product"	the product to provide services and develop and utilize technology and software for rights management and monetization of such rights for media companies
"Seller" or "ZEFR"	ZEFR, Inc., a Delaware corporation
"Share(s)"	ordinary share(s) in the capital of the Company with a nominal value of US$0.0001 each
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange" or "HKSE"	The Stock Exchange of Hong Kong Limited
"Target Business"	the Digital Media Rights Management and Monetization Business

"Track Record Period"	years ended December 31, 2016, 2017 and 2018 and three months ended March 31, 2019
"US$" or "US Dollars"	United States dollars, the lawful currency of the United States of America

Vobile Group Limited
阜博集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3738)

Executive Directors:
Mr. Yangbin Bernard WANG *(Chairman)*
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

Registered Office:
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2880 Lakeside Drive, Suite 360,
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United States

Principal Place of Business in Hong Kong:
Suite 3712, 37/F,
Tower Two, Times Square,
1 Matheson Street,
Causeway Bay,
Hong Kong

September 30, 2019

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION OF ASSETS FROM ZEFR, INC. AND NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

We refer to the announcement of the Company dated July 19, 2019 in relation to the Proposed Acquisition of the Purchased Assets.

The purpose of this circular are to provide you with, among other things, (i) further information relating to the details of the terms of the Asset Purchase Agreement and the proposed grant of the Specific Mandate for the allotment and issuance of the Earn-out Shares; (ii) to set out the financial information of the Group, the Target Business and the unaudited pro forma financial information of the Enlarged Group; (iii) to give you the notice of the EGM; and (iv) to provide you with other information as required under the Listing Rules.

2. THE PROPOSED ACQUISITION

(1) Introduction

The Board is pleased to announce that on July 19, 2019 (Hong Kong Time), the Company (as the Buyer) and ZEFR (as the Seller) entered into the Asset Purchase Agreement, pursuant to which the Buyer has conditionally agreed to, among other things, acquire the Purchased Assets from the Seller.

(2) Principal Terms of the Asset Purchase Agreement

Date: July 18, 2019 (Pacific Time)

Parties:

(1) the Company, as the Buyer;

(2) ZEFR, as the Seller; and

(3) Zach James and Richard Raddon (as founders of ZEFR) for purpose of matters in relation to (i) non-competition, non-solicitation and non-disparagement, (ii) confidentiality and (iii) general provisions, such as provisions in relation to the governing law and assignment.

The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Seller and its founders, Zach James and Richard Raddon, are third parties independent of the Company and connected persons of the Company.

Purchased Assets: Upon the terms and subject to the conditions of the Asset Purchase Agreement, at the Closing, Seller shall sell, assign, transfer, convey and deliver to Buyer, and Buyer shall purchase from Seller, all of the Seller's right, title and interest in and to all assets, properties and rights of every nature, kind and description, whether tangible or intangible, real or personal, accrued or contingent, wherever located and whether now existing or hereafter acquired prior to the Closing, necessary for, used in or held for use primarily in connection with the Target Business, other than the certain excluded assets as set out under the Asset Purchase Agreement (collectively, the "**Purchased Assets**"), in each case free and clear of any encumbrances, other than certain permitted encumbrances set forth in the Asset Purchase Agreement, including all of the Seller's right, title and interest in and to, among other things, the following (in each case (except paragraph (a), (d) and (i) below), to the extent necessary for, used in or held for use primarily in connection with the Target Business and excluding certain excluded assets and excluded liabilities set forth in the Asset Purchase Agreement:

(a) all Seller intellectual property rights and Seller technology that are necessary for, used in or held for use in connection with the Target Business (including, without limitation, United States Patents Nos. 9432712 and 9544666), except for certain asset, intellectual property rights and technology listed in the Asset Purchase Agreement;

(b) copies of all business records (except human resources, corporate, tax and accounting records of Seller), books, files, papers, documentation, records, databases, and tangible research, design, development, manufacturing and technical assets (e.g., specifications, designs, register-transfer and gate-level descriptions, netlists, scripts, test suites, mask works, prototypes, logs, bug listings, software, documentation, databases, technical information, test results and tools), subject to the Seller retaining copies or originals of any of the foregoing to the extent that (i) the Seller is required by applicable law to retain such copies or originals or (ii) such copies have been made in the ordinary course pursuant to the Seller's standard data backup procedures and that is customarily retrievable only by computer forensic experts and generally considered inaccessible without the use of specialized tools and techniques;

(c) all computer hardware used by the transferring employees prior to the Closing and all documentation therefor;

(d) all YouTube accounts, content owners, channels and rights to channel ownership and all Facebook and Instagram pages and accounts under Facebook rights manager, and similar social media and digital video channels, accounts and Internet assets, in each case, that are necessary for, used in or held for use in connection with the Target Business;

(e) all rights associated with the Purchased Assets and the Assumed Liabilities (including (i) the rights to sue for or assert claims against and remedies against past, present or future infringements of the Seller intellectual property rights and to retain any and all amounts therefrom and (ii) the rights of priority and protection of interests in the Seller intellectual property rights);

(f) all customer relationship management data and records, other than in relation to the ad sales agreements as set out under the Asset Purchase Agreement;

(g) all employee-related files or records, including all personnel files, related to the transferring employees that the Seller is not prohibited from transferring to the Buyer under applicable law;

(h) one-half interests in those certain Seller intellectual property rights consisting of the proprietary discovery engine adapter developed by the Seller and all source code therefor;

(i) all other proceeds of any or all of the foregoing received or receivable after the Closing.

Please also see "— *Target Business*" for details.

Purchase Price: The Purchase Price of the Purchased Assets comprises the Closing Cash Consideration and the Earn-Out Amount (if any). Please also see "— *Details of the Purchase Price*" for details.

Closing and Conditions Precedent: The Closing will take place on the fifth Business Day after the satisfaction, or to the extent permitted by applicable laws, waiver by the party entitled to the benefit of the conditions set forth in the Asset Purchase Agreement.

The obligation of the Seller to consummate the transactions contemplated under the Asset Purchase Agreement shall be subject to fulfillment of, among other things, the following conditions at or prior to the Closing, any of which may be waived in writing by Seller in its sole discretion to the extent permitted by applicable laws:

(1) the representations and warranties of the Buyer contained in the Asset Purchase Agreement or any other relevant documents as set out under the Asset Purchase Agreement shall be true and correct in all material respects;

(2) the Seller shall have received from the Buyer a certificate signed by the chief executive officer of the Buyer to the effect that the condition set forth in (1) above have been satisfied;

(3) the Seller shall have received each of the closing deliverables in accordance with the term of the Asset Purchase Agreement; and

(4) all authorizations, consents, orders and approvals of all governmental authorities shall have been received.

As at the Latest Practicable Date, no condition precedent as listed above has been achieved.

The obligation of the Buyer to consummate the transactions contemplated under the Asset Purchase Agreement shall be subject to fulfillment of, among other things, the following conditions at or prior to the Closing, any of which excluding the condition set for in (2) and (3) below may be waived in writing by the Buyer in its sole discretion to the extent permitted by applicable laws:

(1) all authorizations, consents, orders and approvals of all governmental authorities and the third-party consents required for the purpose of the Closing shall have been received and shall be satisfactory in form and substance to the Buyer in its reasonable discretion;

(2) the Buyer shall have received the requisite approval of the shareholders of the Buyer under applicable law;

(3) the Buyer shall have received the approval for the listing of and permission to deal in the Earn-out Shares from the Listing Committee of the Stock Exchange;

(4) none of the key employees (as defined under the Asset Purchase Agreement) will have terminated employment (or have indicated an intent to do so) with the Seller or will have terminated or repudiated (or have indicated an intent to do so) his or her key employee arrangements (as defined under the Asset Purchase Agreement) or be unable to commence employment under his or her key employee arrangement upon the Closing, and each of the key employee arrangements will be in full force and effect;

(5) no action shall have been commenced or threatened by or before any governmental authority that, in the reasonable, good faith determination of the Buyer would reasonably be expected to (i) require divestiture of any assets of the Buyer as a result of the transactions contemplated by the Asset Purchase Agreement or the divestiture of any Purchased Assets; (ii) prohibit or impose limitations on Buyer's ownership or operation of all or a material portion of the Target Business or the Purchased Assets or any of its other businesses or assets (or those of any of its subsidiaries or affiliates); or (iii) impose limitations on the ability of Buyer or its affiliates, or render the Buyer or its affiliates unable, effectively to control the Target Business or the Purchased Assets in any material respect;

(6) the Buyer shall have received each of the closing deliverables in accordance with the term of the Asset Purchase Agreement;

(7) there shall not have occurred any change, event or development or prospective change, event or development that, individually or in the aggregate, has had or would reasonably be expected to have a material adverse effect.

As at the Latest Practicable Date, no condition precedent as listed above has been achieved.

Notwithstanding the foregoing, in no event shall the Company be obligated to consummate the Closing prior to the date which is 30 calendar days following the date of the Asset Purchase Agreement.

Assumed Liabilities: Subject to the terms of the Asset Purchase Agreement, in connection with the purchase and sale of the Purchased Assets, at the Closing, the Buyer shall assume the following assumed liabilities:

(a) all liabilities of the Seller under any contract that is a Purchased Asset to be performed after, or that are incurred following, the Closing, excluding all minimum revenue or other minimum guaranteed payment obligations under any customer contract that has not been satisfied for the prorated applicable minimum guarantee period in full as of the Closing Date (the "**Minimum Revenue Guarantee Liabilities**"); and

(b) all liabilities related to the Purchased Assets in respect of periods following the Closing, including arising out of the Buyer's use or ownership of the Purchased Assets following the Closing, excluding the Minimum Revenue Guarantee Liabilities.

Termination: The Asset Purchase Agreement may be terminated at any time prior to the Closing:

(a) by mutual written consent of the Buyer and the Seller;

(b) (i) by Seller, if Seller is not then in material breach of its obligations under the Asset Purchase Agreement and the Buyer breaches or fails to perform in any material respect any of its representations, warranties or covenants contained in the Asset Purchase Agreement and such breach or failure to perform (A) would give rise to the failure of a condition precedent, (B) cannot be or has not been cured within fifteen days following delivery to the Buyer of written notice of such breach or failure to perform and (C) has not been waived by Seller; or (ii) by the Buyer, if the Buyer is not then in material breach of its obligations under the Asset Purchase Agreement and the Seller breaches or fails to perform in any material respect any of its representations, warranties or covenants contained in the Asset Purchase Agreement and such breach or failure to perform (A) would give rise to the failure of a condition precedent, (B) cannot be or has not been cured within fifteen days following delivery to Seller of written notice of such breach or failure to perform and (C) has not been waived by Buyer;

(c) by either of the Seller or the Buyer if it shall have become incapable of fulfillment prior to the date which is three months following the date of the Asset Purchase Agreement, provided that the right to terminate shall not be available if the failure of the party so requesting termination to fulfill any obligation under the Asset Purchase Agreement shall have been the primary cause of, or shall have resulted in, the failure of such condition to be satisfied on or prior to such date;

(d) by either of the Seller or the Buyer if the Closing shall not have occurred by the date which is three months following the date of the Asset Purchase Agreement, provided that the right to terminate shall not be available if the failure of the party so requesting termination to fulfill any obligation under the Asset Purchase Agreement shall have been the primary cause of, or shall have resulted in, the failure of the Closing to occur on or prior to such date;

(e) by either of the Seller or the Buyer in the event that any governmental authority shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the transactions contemplated by the Asset Purchase Agreement and such order, decree, ruling or other action shall have become final and non-appealable, provided that the party so requesting termination shall have used its commercially reasonable efforts to have such order, decree, ruling or other action vacated; or

(f) by the Buyer, if between the date of the Asset Purchase Agreement and the Closing Date, an event or condition occurs that has had or would reasonably be expected to have a material adverse effect.

Entering into other agreements: On the Closing Date, the Buyer and Seller will also enter into the following agreements:

(a) an advertising sales agreement, pursuant to which the Seller will agree to sell the reserved advertising inventory acquired by the Buyer as part of the Purchased Assets;

(b) a transition services agreement, pursuant to which the Seller will agree to provide certain transitional and support services to the Buyer following the Closing;

(c) an escrow agreement with an escrow agent, pursuant to which a portion of the consideration otherwise payable by the Buyer to the Seller hereunder will be held by the escrow agent in escrow as partial security for any claims in accordance with the terms of the Asset Purchase Agreement; and

(d) an assignment agreement, pursuant to which the Seller will sell, assign, transfer and convey a one-half interests to the Buyer in the Discovery Engine Adapter Asset and the parties will agree to certain terms and conditions with respect to their joint ownership and use of the Discovery Engine Adapter Asset.

Transferring of key employees: Concurrently with the execution and delivery of the Asset Purchase Agreement, certain key employees of Seller also enter into employment agreements with the Company or its designee, which will take effective immediately upon the Closing.

Other terms: The Asset Purchase Agreement also contains provisions in relation to indemnities, representations, warranties, undertakings, restrictive covenants (including non-competition, non-solicitation and non-disparagement) and other provisions in customary terms.

(3) Details of the Purchase Price

Closing Cash Consideration

The Closing Cash Consideration is US$50 million (the "**Closing Cash Consideration**"). At the Closing, the Buyer shall pay to the Seller the Closing Cash Consideration, less the indemnity escrow amount, being 10% of the Closing Cash Consideration, which will be deposited with an escrow agent.

Earn-Out Amount and Issuance of Earn-Out Shares

The Earn-out Amount is US$40 million (the "**Earn-out Amount**").

On the Earn-out Payment Date (as defined below), the Company shall pay to the Seller, by wire transfer, an amount in immediately available funds in U.S. dollars equal to the Earn-Out Cash Amount (as defined below), if any, and issue to the Seller such number of Shares (the "**Earn-out Shares**"), if any, which will be determined by dividing the Earn-out Amount by the Fair Market Value of the Share.

"**Fair Market Value**" means, in respect of the Shares, the higher of HK$2.58 per Share or the volume weighted average trading price per Share over the ten (10) trading days immediately preceding the Closing Date on any public exchange on which the Shares are listed, as calculated in accordance with the applicable policies of such exchange, as at, and including, the relevant determination date or such other applicable date referenced herein, provided that such date is a Business Day, and if it is not, then calculated as at and including the last Business Day that preceded such applicable date referenced herein.

Earn-out Shares

(1) if both (i) the consolidated total revenue of the Company in respect of the Target Business for the one year period after the Closing (the "**Earn-out Period**"), as determined in accordance with International Financial Reporting Standards (the "**Target's Revenue**") is greater than the US$40,000,000 (the "**Revenue Target**") and (ii) EBITDA (as defined below) is greater than US$10,000,000 (the "**EBITDA Target**"), then 100% of the Earn-Out Shares shall be issuable to Seller in respect of the Earn-Out Period.

(2) if the foregoing circumstance (1) does not apply, but both (i) the Target's Revenue is greater than US$32,000,000 (the "**Revenue Hurdle**") and (ii) EBITDA (as defined below) is greater than US$8,000,000 (the "**EBITDA Hurdle**"), then the number of Earn-Out Shares issuable to Seller in respect of the Earn-Out Period will be such number of Earn-Out Shares determined in accordance with the following formula:

Earn-out Amount = A × B × US$40,000,000

A = (the lesser of Target's Revenue and the Revenue Target – US$32,000,000)/ US$8,000,000

B = (the lesser of EBITDA and the EBITDA Target – US$8,000,000)/US$2,000,000

(3) if either (i) the Target's Revenue is equal to or less than the Revenue Hurdle or (ii) EBITDA is equal to or less than the EBITDA Hurdle, then no Earn-Out Shares shall be issuable to Seller in respect of the Earn-Out Period.

"**EBITDA**" means, with respect to the Earn-Out Period, (i) the consolidated total revenue of the Company in respect of the Target Business for such period, less (ii) the consolidated total expenses of the Company in respect of the Target Business for such period, but excluding from clauses (i) and (ii) each of the following (to the extent reflected as an expense, charge or deduction therein): (1) interest expense, (2) income Taxes, (3) stock-based compensation expense, (4) depreciation expense and (5) amortization expense, and in the case of clauses (i) and (ii), calculated in accordance with the principles set out under the Asset Purchase Agreement and, to the extent consistent with this definition and such principles, International Financial Reporting Standards consistently applied.

EBITDA will be profits in the ordinary course of business of the Target Business only and excludes any profits and losses arising from merger, acquisition and disposal or any extraordinary or exceptional items.

Earn-out Cash Amount

Buyer will not be required to issue any fractional Shares, and the number of Earn-Out Shares issuable to Seller will be rounded down to the next whole number of Shares. Buyer may, at its sole discretion, elect to pay all or any portion of up to 62.5% of the Earn-Out Amount in cash in lieu of Earn-Out Shares. Such portion paid in cash, if any, referred to herein as the "**Earn-Out Cash Amount**".

If Shares are delivered to Seller as part of the Earn-Out Amount, (i) Shares representing 37.5% of the Earn-Out Amount shall be payable and delivered to Seller; and (ii) any other Shares paid as part of the Earn-Out Amount shall be payable and delivered to the stockholders of Seller at the time of Closing in accordance with their ownership percentage of Seller at the time of Closing in accordance with an implementation agreement mutually agreed by Buyer and Seller and to be entered at the time of distribution of any such Shares, provided, that if any stockholder of the Seller alone or any group of stockholder of the Seller that would be deemed to be parties acting in concert, in each case, would constitute (or be deemed to collectively constitute) the largest shareholder of the Buyer as a result of the receipt of the Shares pursuant to (ii), then the Shares shall be payable and delivered to the stockholders of Seller in an allocation to be mutually agreed between the Buyer and the Seller.

Not later than forty-five (45) days after the last day of the calendar quarter in which the expiration of the Earn-Out Period occurs, Buyer shall prepare and deliver to Seller a statement setting out whether the EBITDA Target and Revenue Target have been achieved (the "**Earn-Out Statement**").

The Earn-Out Shares, if issuable as finally determined by the Parties or pursuant to the dispute resolution procedures, and any Earn-Out Cash Amount shall be issued and/or delivered, as applicable, by Buyer to Seller (or the stockholders of Seller as applicable) no later than fifteen (15) Business Days following such final determination (as applicable, an "**Earn-Out Payment Date**").

The Earn-Out Shares will be allotted and issued pursuant to a specific mandate to be sought by the Company at a general meeting of the Company. The Earn-Out Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue. An application will be made by the Company to the Stock Exchange for the approval for the listing of, and permission to deal in, the Earn-Out Shares.

The Earn-Out Shares, if being issued, are not subject to any lock-up arrangements. The issue of the Earn-Out Shares would not result in a change of control of the Company.

(4) Basis for Determining the Purchase Price

The consideration was determined based on arm's length negotiations between the parties with reference to a number of factors, including (i) the historical financial performance of the Target Business; (ii) the business development and long term prospects of the Target Business; and (iii) the benefits of the Proposed Acquisition as set out in the section headed "Letter from the Board — Reasons for and benefits of the Acquisition" below.

The Company also took into account the price to revenue ratio and price to EV/EBITDA ratio of certain other comparable companies listed on the HKSE, the New York Stock Exchange (the "**NYSE**") and NASDAQ who are involved in the same or similar industry compared to the Target Business (the "**Comparable Companies**"). The following table sets forth a summary of the relevant information of the Comparable Companies:

Company name	**Stock code**	**Stock exchange**	**Price to revenue ratio as at the Latest Practicable Date** *(times)*	**EV/EBITDA ratio as at the Latest Practicable Date** *(times)*
Kingsoft Corporation Limited	3888	HKSE	3.13	58.67
SAP SE	SAP	NYSE	4.92	17.49
Adobe Inc.	ADBE	NASDAQ	12.48	26.35
Autodesk, Inc.	ADSK	NASDAQ	11.16	39.74
Workday, Inc.	WDAY	NASDAQ	11.47	53.16

The price to revenue ratios of the Comparable Companies as at the Latest Practicable Date ranged from 3.13 to 12.48 times, with an average of 8.63 times. In comparison, based on (i) the Purchase Price of US$90,000,000 (assuming the Revenue Target of US$40,000,000 and the EBITDA Target of US$10,000,000 for the one year period after the Closing are fulfilled); and (ii) the Revenue Target of US$40,000,000 for the one year period after the Closing, the price to revenue ratio of the Target Business is approximately 2.25 times, which is lower than the average and the low end of the aforementioned range of the Comparable Companies as at the Latest Practicable Date.

The EV/EBITDA ratios of the Comparable Companies as at the Latest Practicable Date ranged from 17.49 to 58.67 times, with an average of 39.08 times. In comparison, based on (i) the Purchase Price of US$90,000,000 (assuming the Revenue Target of US$40,000,000 and the EBITDA Target of US$10,000,000 for the one year period after the Closing are fulfilled); and (ii) the EBITDA Target of US$10,000,000 for the one year period after the Closing, the price to revenue ratio of the Target Business is approximately 9.00 times, which is lower than the average and the low end of the aforementioned ranged of the Comparable Companies as at the Latest Practicable Date.

In addition, although the Target Business was loss making in 2016 and 2017 and has only recently turned around to a profit making position in 2018, the Directors has considered the following factors when arriving the Purchase Price: (i) the significant growth of the Target Business from 2016 to 2017 and further to 2018, mainly driven by the increase of revenue of 18.8% from US$25.1 million in 2016 to US$29.8 million in 2017, and a further increase of 35.7% from US$29.8 million in 2017 to US$40.5 million in 2018; (ii) the arrangement of the Earn-out Amount, which would be subject to adjustment based on the Revenue Target of US$40,000,000 and EBITDA Target of US$10,000,000, respectively, for the one year after the Closing; and (iii) the technology complementary and synergies between the Group and the Target Business, which would allow the Group to further enhance the efficiencies of the combined business operations.

In light of the above factors as well as the price to revenue ratios and EV/EBITDA ratios of the Comparable Companies, taking into account of (i) the business development and long term prospects of the Target Business; and (ii) the further strengthening of the Group's competitive edge in providing monetization services and the increase in the Group's sales proposition and defensibility expected to be brought by the Proposed Acquisition, the Directors are of the view that the Purchase Price is fair and reasonable.

(5) Reasons for and Benefits of the Proposed Acquisition

The Company 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 Seller, through the Target Business, is engaged in digital media rights management and monetization. The Proposed Acquisition represents an excellent opportunity for the Company to embrace market opportunities to further consolidate its position as the leader in online video content protection and monetization.

The following is a summary of the reasons for and benefits of the Proposed Acquisition:

(a) ***Technology Complementary***

The Company has established itself as a leader in the automated online video content identification and protection business utilizing digital video fingerprint technology it developed for that purpose. The Company also has developed as operational expertise monitoring where on the web at large such fingerprinted video content is being distributed illegally and legally. The Target Business has developed a market leading technology that identifies and categories semantic searches end users perform on popular video and social media platforms in order to find full length or clip based content which is owned by content rights holders. Target Business will then claim, on behalf of the content rights holder, any content which such semantic search results produce, and then proceed to monetize such claimed content through advertising. The Enlarged Group will now have technology expertise that includes fingerprinting and semantic search related content identification both on the web at large and deep within video and social media platforms.

(b) ***Expanded Monetization***

The Company operates an advertising video-on demand pay-per-transaction platform, or "Reclaim" to monetize content by facilitating video distribution to online video sites under an advertising-based revenue model as at the date of this announcement. The Proposed Acquisition will enable the Company to further strengthen its competitive edge in providing monetization services. Upon completion of the Proposed Acquisition, the Company will be able to expand its monetization opportunities for the Enlarged Group across rights claimed content inventories on video and social media platforms, which will enhance the Company's competitive position in providing broad spectrum products and services and ensure sustained growth.

(c) ***Enhanced Sales Proposition***

The Proposed Acquisition will also increase the sales proposition and defensibility of the Enlarged Group. The Company sold its content protection products and services primarily to the legal compliance departments of its rights holder clients. The Target Business sold its semantic search technology and monetization of claimed content services to the revenue generating departments of its rights holder clients. The Enlarged Group will have greater depth of connection within their shared rights holder clients, and an enhanced sales proposition to offer newly cross sold rights holder clients.

The Board is of the view that the Asset Purchase Agreement was entered into on normal commercial terms and the terms of the Proposed Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(6) Financial Effects on the Proposed Acquisition

The following table sets out, for illustrative purposes only, the key financials of the Group and the unaudited pro forma financial information of the Enlarged Group after completion of the Proposed Acquisition as if the Proposed Acquisition had been completed as at December 31, 2018 for unaudited pro forma consolidated statement of financial position and January 1, 2018 for unaudited pro forma consolidated income statement.

The unaudited pro forma financial information of the Enlarged Group has been prepared based on the judgments and assumptions of the Directors for illustrative purposes only. It may not reflect the true financial position of the Enlarged Group as at December 31, 2018 or any future date following the completion of the Proposed Acquisition due to its hypothetical nature. As the estimated fair values of the assets and liabilities of the Acquired Business used in the preparation of the unaudited pro forma financial information of the Enlarged Group might differ from their respective actual fair values upon the Closing, the actual financial effects of the Proposed Acquisition might be materially different from the financial position as shown in Appendix IV to this circular.

	Financial information extracted from the audited consolidated statement of financial position of the Group as at December 31, 2018	**Financial information extracted from the unaudited pro forma consolidated statement of financial position of the Enlarged Group as at December 31, 2018**
	US$'000	*US$'000*
Total current assets	28,733	28,133
Total assets	50,836	141,529
Total current liabilities	7,003	47,003
Total liabilities	7,003	100,903
Net assets	43,833	40,626

	Financial information extracted from the audited consolidated income statement of the Group for the year ended December 31, 2018	Financial information extracted from the unaudited pro forma consolidated income statement of the Enlarged Group for the year ended December 31, 2018
	US$'000	*US$'000*
Revenue	15,225	55,723
Gross profit	12,224	26,972
Loss before tax	2,524	8,991
Loss for the year	3,067	7,950

For further information, please refer to Appendix IV of this circular for unaudited pro forma financial information of the Enlarged Group.

(7) Financial and Trading Prospects of the Enlarged Group

The Group's product offerings have been expanded since the completion of our acquisition of assets from IP-Echelon Pty. Ltd. And IP88 Research Pty. Ltd. in November 2018, which offered additional content production product specializing in peer to peer network technology. The Proposed Acquisition further strengthens our global leadership position in online video content protection, with the objective of deploying and growing our innovative online video distribution platform through a revenue-sharing model.

Since the completion of the acquisition, the Group is principally engaged in the provision of software as a service, primarily through our proprietary software platforms. We help our customers protect their content from unauthorized use and monetize their content by enabling revenue-sharing for, or in connection with, the distribution of their video content. In addition, we offer content measurement platforms to help our customers measure the viewership of their content. Our business model can be categorized as:

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

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

To further strength the Group's product offerings, the Group has been spending research and development efforts and powering up its product development capability. Upon the completion of the Proposed Acquisition of the Target Business, the Group expect the Target Business to fuel the growth of the Group's content monetization business.

The Target Business is principally engaged in digital media rights management and monetization business by operating in a combination of subscription-based SaaS business and Transaction-based SaaS business. After completion of the Proposed Acquisition, we would utilize our current customer relationships and upsell and cross-sell to our existing content owner customers with the expanded monetization product solutions of the Target Business and integrate the technologies of the Group into the Target Business to enhance the efficiencies of the Target Business. Further to the announcement of the Company dated July 19, 2019, the Company intends to finance the Proposed Acquisition through debt financing and its internal funding. Meanwhile, the Company would regularly evaluate its business development and financial conditions to decide whether any fund raising activities are needed. As at the Latest Practicable Date, save as the debt financing mentioned aforesaid for the Proposed Acquisition, there was no other contemplated fund raising activities proposed to be conducted by the Company. The Company will continue to monitor its business development and financial conditions to evaluate whether any funding raising activities are needed for the Group's development.

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

Looking ahead, the Group will continue to strive for business growth and seize opportunities in order to bring greater returns to the Shareholders.

(8) Information of the Target Business

(a) ***Financial Information on the Target Business***

According to the accountants' report as set out in Appendix II to this circular, the net profits (before and after taxation and extraordinary items) for the financial years ended December 31, 2017 and 2018 and the net asset value of the Target Business as at December 31, 2017 and 2018 are as follows:

	For the year ended December 31, 2017	**For the year ended December 31, 2018**
	US$'000	*US$'000*
Revenue	29,833	40,498
Gross profit	10,102	14,748
EBITDA	313	5,155
Net profit/(loss) before taxation and extraordinary items	(373)	4,460
Net profit/(loss) after taxation and extraordinary items	(270)	3,178

	As at December 31, 2017	**As at December 31, 2018**
	US$'000	*US$'000*
Net asset value	2,893	4,428

The increase in revenue of the Target Business from US$29.8 million in 2017 to US$40.5 million in 2018 was mainly attributed by increase of content from content owners which were being monetized by the Target Business.

The increase in EBITDA from US$0.3 million in 2017 to US$5.2 million in 2018 and net loss after tax of US$0.3 million in 2017 to net profit after tax of US$3.2 million in 2018 was primarily attributed by (i) the increase in gross profit from US$10.1 million in 2017 to US$14.7 million in 2018 as a result of the increase of content from content owners which were being monetized by the Target Business and (ii) the decrease of research and development expenses from US$3.8 million in 2017 to US$2.5 million in 2018 due to improvement of efficiency of the Target Business' research and development function which leads to decreased costs related to the research and development function.

(b) ***General Introduction on the Target Business***

The Target Business is principally engaged in digital media rights management and monetization through the sale of its products, primarily its RightsID Product and its ChannelID Product. The RightsID Product provides semantic search technology and operational processes for rights management and monetization of rights owned content found on video and social media platforms. ChannelID Product provides services for channel management and content publishing on content rights owner official viewing channels on YouTube.

The Target Business currently has over 80 employees and is led by a management team comprised of seasoned industry veterans with both digital media and social platform expertise.

RightsID Product

RightsID Product works on behalf of content owners on the largest video and social media platforms, including YouTube, Facebook, Instagram and SoundCloud. It offers a comprehensive rights management system that identifies, prioritizes and monetizes video for the leading media companies, taking into account the vast ownership and business rule complexities that these enterprise organizations face daily. The innovative platform of RightsID Product enables content owners to effectively control their content, including more fully monetizing their content and unlocking significant incremental revenue to maximize the value of their intellectual property. Currently, the Target Business is the only independent rights management provider that operates in collaboration and compliance with YouTube, Facebook, Instagram and SoundCloud.

The RightsID Product generates revenue through two models: the revenue share model, and the fee-based model. Under the revenue share model, the RightsID Product shares a percentage of the revenue created as a result of its rights management technology and services with its content owner customers. The revenue created is based on advertising revenue generated by the content owners' IP on social video platforms. Under the fee-based model, customers would pay both fixed and variable fees to provide its rights management solutions and services. Both revenue models have proven to be profitable and scalable, and allow the RightsID Product to have flexibility in creating long term partnerships with, and solutions for, enterprise content owners that solve critical business issues.

Operationally, the RightsID Product utilizes proprietary technology and processes to manage digital rights for content owners, which includes semantic search technology to scale the identification and prioritization of content that may contain customer IP, and an efficient process for confirmation of identified IP. Additional processes support the management and optimization of platform-provided toolsets that scale the rights management solutions for enterprise-level content owners across all content verticals. Such processes include digital asset management, and conflict and dispute resolution.

ChannelID Product

ChannelID is the leader in YouTube channel management for media companies, rights holders and brands. ChannelID customers use the ChannelID offering to manage their official branded viewing channels on YouTube. Aside from overseeing a customer's YouTube channel, ChannelID also includes data analysis and optimization strategies that expand reach for the channel and better connects fans of the content. ChannelID is utilized by some of the highest quality and largest media companies and consumer brands.

The ChannelID Product generates revenue from the fixed and variable fees paid by its content owner and brand customers in exchange for YouTube channel management solutions and services.

Operationally, the ChannelID Product solves a critical business need for its customers by providing a full service solution for maximizing video content on YouTube, which includes content and programming strategy consulting, video uploading, video optimization, data analytics, and data insight and reporting.

Set out below is a comparison of the products between the Target Business and the Company's AVOD PPT platform, ReClaim.

	ReClaim	**The Target Business**
Product function	Content monetization	Content monetization
Business Model	Transaction-based software as a service — Advertising video-on-demand revenue sharing model	Transaction-based software as a service — Advertising video-on-demand revenue sharing model
Customer base	Content owners	Content owners
Key technology	Content identification based on VDNA technology, a propriety digital fingerprinting technology that extracts the key characteristics of content for identification	Semantic search based content identification to identify and contextualize semantics within video metadata
Market positioning	Niche supplier	Main supplier

(9) Information on the Parties

(a) ***Information of the Seller***

Seller, through the sale of its RightsID Product, is engaged in the business of providing services and developing and utilizing technology and software for rights management and monetization of such rights and through the sale of its ChannelID product, is engaged in the business of providing services for channel management and content publishing. In addition to the RightsID Product and the ChannelID Product, the Seller is retaining and will continue to operate its remaining business, primarily through the sale of its BrandID product after the Proposed Acquisition.

(b) ***Information of the Company***

The Group is the leading provider of online video content protection services, helping our content owner customers reduce infringement-induced revenue losses and increase revenues with pay-per transaction model over Internet and mobile distribution.

(10) Listing Rules Implications

As one or more relevant percentage ratios applicable to the Proposed Acquisition exceed 100%, the Proposed Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

3. PROPOSED GRANT OF THE SPECIFIC MANDATE TO ISSUE CONVERSION SHARES

The Company will issue a maximum number of 121,175,194 Earn-Out Shares (calculated based on the minimum issue price of the Earn-out Shares, representing approximately 22.19% of the Company's total number of issued Shares as enlarged by the issue of the Earn-out Shares) pursuant to the terms and conditions of the Asset Purchase Agreement. The Earn-Out Shares will be allotted and issued pursuant to a specific mandate to be sought by the Company at a general meeting of the Company. The Earn-Out Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue. An application will be made by the Company to the Stock Exchange for the approval for the listing of, and permission to deal in, the Earn-Out Shares.

4. EGM AND PROXY ARRANGEMENT

The notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular.

Pursuant to the Listing Rules and the Articles of Association, any vote of Shareholders at a general meeting must be taken by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted by a show of hands. An announcement on the poll results will be published by the Company after the EGM in the manner prescribed under the Listing Rules. To the best knowledge of the Company, no Shareholder is required to abstain from voting at resolutions to be proposed to the EGM.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (*http://www.hkexnews.hk*) and the Company (*http://www.vobilegroup.com*).

Whether or not you are able to attend the EGM, please complete the accompanying form of proxy in accordance with the instructions printed on the form and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours (i.e. no later than 3 p.m. on Saturday, October 26, 2019) before the time appointed for holding the EGM or any adjournment of such meeting. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment of such meeting should you so wish.

5. RECOMMENDATIONS

The Directors consider that the Proposed Acquisition of the Target Business (including the proposed issuance of the Earn-out Shares) is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favor of the relevant resolutions to be proposed at the EGM.

6. OTHER INFORMATION

Your attention is drawn to other sections of and appendices to this circular.

For and on behalf of the Board
Vobile Group Limited
Yangbin Bernard WANG
Chairman, Executive Director and
Chief Executive Officer

FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP

The financial information and the management discussion and analysis on the Group for the year ended December 31, 2016 is set out in the Prospectus. The financial information and the management discussion and analysis on the Group for the years ended December 31, 2017 and December 31, 2018 is set out in the 2017 and 2018 annual report of the Company, respectively. The hyperlinks to the 2017 and 2018 annual report of the Company and the Prospectus are incorporated by reference into this circular. The aforementioned prospectus and annual reports of the Company are also available on the website of the Company (*http://www.vobilegroup.com*) and the websites of Hong Kong Exchanges and Clearing Limited (*http://www.hkexnews.hk*).

1. Hyperlink to the Prospectus:

   https://www1.hkexnews.hk/listedco/listconews/sehk/2017/1219/ltn20171219007.pdf

2. Hyperlink to the annual report of the Company for the year ended December 31, 2017:

   https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0420/ltn20180420191.pdf

3. Hyperlink to the annual report of the Company for the year ended December 31, 2018:

   https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn201904292710.pdf

WORKING CAPITAL

The Directors are of the opinion that taking into account the cash flows generated from operating activities, the financial resources available to the Enlarged Group including internally generated funds and existing uncommitted borrowing facilities from financial institutions. As at the Latest Practicable Date, the Company is contemplating a five-year term loan with principal amount of US$55 million (the "Term Loan"), subject to the final approval from the relevant financial institution to finance the Proposed Acquisition, assuming the completion of the term loan, the working capital available to the Enlarged group is sufficient for the Enlarged Group's requirements for at least 12 months from the date of this circular.

STATEMENT OF INDEBTEDNESS

As at August 6, 2019, being the latest practicable date for the purpose of the indebtedness statement prior to the printing of this circular, the Group has no borrowings.

Apart from normal trade payables, other payables and lease liabilities of US$1,478,000 in the ordinary course of business, as at the close of business on August 6, 2019, the Enlarged Group did not have any outstanding mortgages, charges, debentures or other loan capital, bank overdraft or loans or other similar indebtedness or finance lease or hire purchase commitments, liabilities acceptance or acceptance credits, guarantees or other material contingent liabilities.

MATERIAL ADVERSE CHANGE

There had been no material adverse change in the financial and trading position or outlook of the Company since December 31, 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date.

The Directors
Vobile Group Limited

Dear Sirs,

We report on the historical financial information relating to a business unit of ZEFR, Inc. (the "**Target Business**") set out on pages II-4 to II-33,which comprises the statements of profit or loss and other comprehensive income, statements of changes in parent's net investment and statements of cash flows of the Target Business for each of the years ended December 31, 2016, 2017 and 2018,and the three months ended March 31, 2019 (the "**Relevant Periods**"), and the statements of financial position of the Target Business as at December 31, 2016, 2017 and 2018 and March 31, 2019 and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-33 forms an integral part of this report, which has been prepared for inclusion in the circular of Vobile Group Limited (the "**Company**") dated September 30, 2019 (the "**Circular**") in connection with the proposed acquisition of the Target Business (the "**Proposed Acquisition**") by the Company.

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of ZEFR, Inc. are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in notes 2.1 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical

Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the Target Business' preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in notes 2.1 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Target Business' internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Business as at December 31, 2016, 2017 and 2018 and March 31, 2019, and of the financial performance and cash flows of the Target Business for the years ended December 31, 2016, 2017 and 2018 and the three months ended March 31, 2019 in accordance with the basis of preparation set out in notes 2.1 to the Historical Financial Information.

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of the Target Business which comprises the statement of profit or loss and other comprehensive income, statement of changes in parent's net investment and statement of cash flows for the three months ended March 31, 2018 and other explanatory information (the "**Interim Comparative Financial Information**"). The directors of ZEFR, Inc. are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in notes 2.1 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in notes 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividends

No dividends have been paid by the Target Business in respect of the Relevant Periods.

No historical financial statements for the Target Business

As at the date of this report, no statutory financial statements have been prepared for the Target Business since its date of establishment.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
September 30, 2019

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Business for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in United States dollars ("**US$**") which is the functional currency of the Target Business and all values are rounded to the nearest thousand ("**US$'000**") except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended December 31,			**Three months ended March 31,**	
		2016	**2017**	**2018**	**2018**	**2019**
	Notes	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
					(unaudited)	
REVENUE	*5*	25,116	29,833	40,498	8,047	8,786
Cost of services provided		(15,598)	(19,731)	(25,750)	(5,320)	(5,195)
Gross profit		9,518	10,102	14,748	2,727	3,591
Other income and gains	*5*	—	10	—	15	26
Selling and marketing expenses		(2,633)	(3,432)	(3,960)	(869)	(965)
Administrative expenses		(2,800)	(3,174)	(3,611)	(953)	(1,220)
Research and development expenses		(4,700)	(3,795)	(2,492)	(685)	(667)
Other expenses		(62)	(84)	(225)	(78)	—
(LOSS)/PROFIT BEFORE TAX	*6*	(677)	(373)	4,460	157	765
Income tax credit/(expense)	*9*	228	103	(1,282)	(52)	(223)
(LOSS)/PROFIT AND TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR/ PERIOD		(449)	(270)	3,178	105	542

STATEMENTS OF FINANCIAL POSITION

		As at December 31,			As at March 31,
		2016	2017	2018	2019
	Notes	*US$'000*	*US$'000*	*US$'000*	*US$'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*11*	233	1,796	1,944	1,898
CURRENT ASSETS					
Trade receivables	*12*	8,214	11,413	14,116	11,287
Prepayments, deposits and other receivables	*13*	771	789	578	740
Total current assets		8,985	12,202	14,694	12,027
CURRENT LIABILITIES					
Trade payables	*14*	5,743	7,948	11,595	8,095
Amount due to the parent		611	2,496	—	—
Other payables and accruals	*15*	472	661	615	850
Total current liabilities		6,826	11,105	12,210	8,945
NET CURRENT ASSETS		2,159	1,097	2,484	3,082
TOTAL ASSETS LESS CURRENT LIABILITIES		2,392	2,893	4,428	4,980
Net assets		2,392	2,893	4,428	4,980
Parent's Net Investment	*17*	2,392	2,893	4,428	4,980

STATEMENTS OF CHANGES IN PARENT'S NET INVESTMENT

	Note	Parent's Net Investment US$'000
Balance as at January 1, 2016		2,597
Changes in Parent's Net Investment for 2016:		
Loss and total comprehensive loss for the year		(449)
Contribution from Parent — Equity settled share option expense		220
Contributions from Parent	*17*	24
Balance as at December 31, 2016		2,392
Changes in Parent's Net Investment for 2017:		
Loss and total comprehensive loss for the year		(270)
Contribution from Parent — Equity settled share option expense		591
Contributions from Parent	*17*	180
Balance as at December 31, 2017		2,893
Changes in Parent's Net Investment for 2018:		
Profit and total comprehensive income for the year		3,178
Contribution from Parent — Equity settled share option expense		473
Distributions to Parent	*17*	(2,116)
Balance as at December 31, 2018		4,428
Changes in Parent's Net Investment for the three months ended March 31, 2019:		
Profit and total comprehensive income for the period		542
Contribution from Parent — Equity settled share option expense		67
Distributions to Parent	*17*	(57)
Balance as at March 31, 2019		4,980
Unaudited:		
Balance as at December 31, 2017		2,893
Changes in Parent's Net Investment for the three months ended March 31, 2018:		
Profit and total comprehensive income for the period		105
Contribution from Parent — Equity settled share option expense		174
Contributions from Parent	*17*	609
Balance as at March 31, 2018		3,781

STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31, 2016 US$'000	2017 US$'000	2018 US$'000	Three months ended March 31, 2018 US$'000 (unaudited)	2019 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES						
(Loss)/profit before tax		(677)	(373)	4,460	157	765
Adjustments for:						
Depreciation	*11*	161	95	222	48	61
Impairment of trade receivables	*12*	9	15	20	(15)	(15)
Equity-settled share option expense	*16*	220	591	473	174	67
		(287)	328	5,175	364	878
(Increase)/decrease in trade receivables		(1,342)	(3,214)	(2,723)	1,881	2,844
(Increase)/decrease in prepayments		(210)	232	1	(78)	(162)
(Increase)/decrease in deposits and other receivables		(2)	(250)	210	205	—
Increase/(decrease) in trade payables		1,342	2,205	3,647	(1,175)	(3,500)
(Decrease)/increase in other payables and accruals		(63)	189	(46)	(227)	235
Cash (used in)/generated from operations and net cash flows (used in)/from operating activities		(562)	(510)	6,264	970	295
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of items of property, plant and equipment	*11*	(175)	(1,695)	(382)	(6)	(20)
Net cash flows used in investing activities		(175)	(1,695)	(382)	(6)	(20)

		Year ended December 31,			Three months ended March 31,	
		2016	2017	2018	2018	2019
	Notes	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
					(unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES						
Contributions from/(distributions to) Parent		737	2,205	(5,882)	(964)	(275)
Net cash flows from/(used in) financing activities		737	2,205	(5,882)	(964)	(275)
NET CHANGE IN CASH AND CASH EQUIVALENTS		—	—	—	—	—
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD		—	—	—	—	—
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		—	—	—	—	—

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. INFORMATION OF THE TARGET BUSINESS

The Target Business is a business unit of ZEFR, Inc. (the "**Seller**") and is located in 4101 Redwood Ave. Los Angeles, California 94061. The Target Business is engaged in the provision of software as a service ("**SaaS**") business. The Target Business is principally engaged in digital media rights management and monetization business by operating in a combination of subscription-based SaaS business and Transaction-based SaaS business through the sale of its products, primarily its RightsID Product and its ChannelID Product.

2.1 BASIS OF PREPARATION

The Historical Financial Information has 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**").

All IFRSs effective for the accounting period commencing from January 1, 2019, together with the relevant transitional provisions, have been early adopted by the Target Business in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention.

Because the Target Business was not historically a single entity and was commingled with the Seller, Parent's Net Investment is shown in lieu of shareholder's equity and in the Historical Financial Information. Parent's Net Investment represents the cumulative interest of the Seller in the Target Business. The impact of transactions between the Target Business and the Seller that were not historically settled in cash is also included in Parent's Net Investment.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Target Business has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information:

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]

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 No mandatory effective date yet determined but available for adoption

The Target Business considered that the application of the new and revised IFRSs will not have material impacts on the Target Business' financial results.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Target Business 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 Target Business. 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 Target Business 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 Target Business determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

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

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

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

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 Target Business recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

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

Computer equipment	20%–33%
Leasehold improvements	Over the lease terms

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.

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 Target Business 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.

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 Target Business' business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Target Business has applied the practical expedient of not adjusting the effect of a significant financing component, the Target Business 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 Target Business 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.

The Target Business' 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.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Target Business 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)

The Target Business measures financial assets at amortized cost if both of the following conditions are met:

— The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

— The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the statement of 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 Target Business' statements of financial position) when:

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

— the Target Business 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 Target Business has transferred substantially all the risks and rewards of the asset, or (b) the Target Business has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Business 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 Target Business continues to recognize the transferred asset to the extent of the Target Business' continuing involvement. In that case, the Target Business 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 Target Business 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 Target Business could be required to repay.

Impairment of financial assets

The Target Business 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 Target Business 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 Target Business assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target Business 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 Target Business considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Target Business may also consider a financial asset to be in default when internal or external information indicates that the Target Business is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Business. 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

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Target Business applies the practical expedient of not adjusting the effect of a significant financing component, the Target Business applies the simplified approach in calculating ECLs. Under the simplified approach, the Target Business does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Target Business 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 Target Business chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

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 Target Business' financial liabilities include trade payables, other payables and accruals.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Cash and cash equivalents

For the purpose of the 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 Target Business' cash management.

Provisions

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

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

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in Parent's Net Investment.

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 Target Business operates.

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

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

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

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Target Business 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.

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 Target Business 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 Target Business 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.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Target Business and the customer at contract inception. When the contract contains a financing component which provides the Target Business a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

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.

Share-based payments

The Seller operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Target Business' operations. Employees of the Target Business 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 binominal model, further details of which are given in note 16 to the financial statements.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in Parent's Net Investment, 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 Target Business' 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 Target Business' 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 Target Business 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.

Foreign currencies

These financial statements are presented in US dollars, which is the Target Business' functional currency. Foreign currency transactions recorded by the Target Business are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Target Business' 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.

Corporate allocations

The Financial Information includes allocations for certain expenses historically maintained by the Seller, but not recorded in the accounts of the Target Business. Such items have been allocated to the Target Business and included in the Financial Information based on the most relevant allocation method, primarily relative percentage of revenue, percentage of workload spent or headcount. Management believes that this basis for allocation of expenses is reasonable.

Provision for expected credit losses on trade receivables

The Target Business uses a provision matrix to calculate ECLs for trade 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 Target Business' historical observed default rates. The Target Business 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 products) 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 Target Business' 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 Target Business' trade receivables is disclosed in note 12 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Target Business had only one reportable operating segment, which was offering SaaS to IP owners during the Relevant Periods. Since this is the only reportable operating segment of the Target Business, no further operating segment analysis thereof is presented.

Geographical information

All of the revenue of the Target Business were generated from external customers located in the United States and all of the assets of the Target Business were located in the United States. Accordingly, no geographical segment analysis is presented.

Information about major customers

Revenue derived from sales to major customers, including sales to a group of entities which are known to be under common control with that customer, which accounted for 10% or more of the Target Business' revenue for the years ended December 31, 2016, 2017 and 2018, and the three months ended March 31, 2018 and 2019 are as follows:

	Year ended December 31,			Three months ended March 31,	
	2016	2017	2018	2018	2019
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Customer A	N/A*	3,515	N/A*	N/A*	1,100
Customer B	N/A*	3,010	N/A*	N/A*	1,085
Customer C	N/A*	N/A*	5,659	843	N/A*
Customer D	N/A*	N/A*	N/A*	N/A*	1,087

* The corresponding revenue of the customer is not disclosed as the revenue did not account for 10% or more of the Target Business' revenue during the years ended December 31, 2016, 2017 and 2018, and the three months ended March 31, 2018 and 2019.

5. REVENUE AND OTHER INCOME AND GAINS

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

	Year ended December 31,			Three months ended March 31,	
	2016	2017	2018	2018	2019
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Revenue from contracts with customers					
Rendering of services	25,116	29,833	40,498	8,047	8,786
Timing of revenue recognition					
Service transferred over time	25,116	29,833	40,498	8,047	8,786
Other income and gains					
Foreign exchange gain	—	10	—	—	11
Others	—	—	—	15	15
	—	10	—	15	26

6. (LOSS)/PROFIT BEFORE TAX

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

	Year ended December 31,			Three months ended March 31,	
	2016	**2017**	**2018**	**2018**	**2019**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
				(unaudited)	
Cost of services provided	15,598	19,731	25,750	5,320	5,195
Employee benefit expense (excluding directors and chief executive's remuneration *(Note 7)*):					
Wages and salaries	11,982	12,506	10,957	2,694	2,967
Equity-settled share option expense	220	591	473	174	67
Other benefits	707	766	770	198	170
	12,909	13,863	12,200	3,066	3,204
Depreciation of items of property, plant and equipment *(note 11)*	161	95	222	48	61
Impairment of trade receivables, net *(note 12)*	9	15	20	(15)	(15)
Lease charge in respect of properties	406	523	795	223	193
Research and development expenses	4,700	3,795	2,492	685	667
Auditor's remuneration	29	32	31	—	—
Foreign exchange differences, net	14	(10)	117	26	(11)

7. DIRECTORS' REMUNERATION

The Target Business did not have any directors during the Relevant Periods.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Target Business during the years ended December 31, 2016, 2017, and 2018 and the three months ended March 31, 2018 and 2019 are as follows:

	Year ended December 31,			Three months ended March 31,	
	2016	**2017**	**2018**	**2018**	**2019**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
				(unaudited)	
Salaries, allowances and benefits in kind	1,759	1,668	1,661	565	380
Equity-settled share option expense	106	192	284	94	31
	1,865	1,860	1,945	659	411

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees				
				Three months	
	Year ended December 31,			ended March 31,	
	2016	**2017**	**2018**	**2018**	**2019**
				(unaudited)	
HK$0 to HK$1,000,000	—	—	—	3	4
HK$1,000,001 to HK$1,500,000	1	—	—	1	—
HK$1,500,001 to HK$2,500,000	1	2	2	—	—
HK$2,500,001 to HK$3,000,000	—	1	2	—	—
	2	3	4	4	4

9. INCOME TAX (CREDIT)/EXPENSE

The United States income tax applicable to the Target Business is at the federal tax rate of 21% for the year ended December 31, 2018 and the three months ended March 31, 2018 and 2019 (year ended December 31, 2016 and 2017: 34%).

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rate in which the Target Business is domiciled to the tax expense at the effective tax rate, and a reconciliation of the statutory tax rate to the effective tax rate, are as follows:

				Three months	
	Year ended December 31,			ended March 31,	
	2016	**2017**	**2018**	**2018**	**2019**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
				(unaudited)	
(Loss)/profit for the year/period	(677)	(373)	4,460	157	765
Statutory tax at federal rate	(230)	(127)	937	33	161
U.S. state income taxes, net of federal benefit	(33)	(15)	320	13	56
Non-deductible expenses	35	39	25	6	6
Tax charge at the Target Business' effective tax rate	(228)	(103)	1,282	52	223

10. DIVIDENDS

During the Relevant Periods, no dividend has been paid or declared by the Target Business.

11. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment *US$'000*	Leasehold improvements *US$'000*	Total *US$'000*
2016			
At January 1, 2016:			
Cost	111	303	414
Accumulated depreciation	37	158	195
Net carrying amount	74	145	219
At January 1, 2016, net of accumulated depreciation	74	145	219
Additions	96	79	175
Depreciation provided during the year	(40)	(121)	(161)
At December 31, 2016, net of accumulated depreciation	130	103	233
At December 31, 2016:			
Cost	207	382	589
Accumulated depreciation	77	279	356
Net carrying amount	130	103	233
2017			
At January 1, 2017:			
Cost	207	382	589
Accumulated depreciation	77	279	356
Net carrying amount	130	103	233
At January 1, 2017, net of accumulated depreciation	130	103	233
Additions	26	1,669	1,695
Disposal	(37)	—	(37)
Depreciation provided during the year	(51)	(44)	(95)
At December 31, 2017, net of accumulated depreciation	68	1,728	1,796
At December 31, 2017:			
Cost	148	2,051	2,199
Accumulated depreciation	80	323	403
Net carrying amount	68	1,728	1,796

	Computer equipment US$'000	Leasehold improvements US$'000	Total US$'000
2018			
At January 1, 2018:			
Cost	148	2,051	2,199
Accumulated depreciation	80	323	403
Net carrying amount	68	1,728	1,796
At January 1, 2018, net of accumulated depreciation	68	1,728	1,796
Additions	31	351	382
Disposal	(12)	—	(12)
Depreciation provided during the year	(40)	(182)	(222)
At December 31, 2018, net of accumulated depreciation	47	1,897	1,944
At December 31, 2018:			
Cost	148	2,402	2,550
Accumulated depreciation	101	505	606
Net carrying amount	47	1,897	1,944
2019			
At January 1, 2019:			
Cost	148	2,402	2,550
Accumulated depreciation	101	505	606
Net carrying amount	47	1,897	1,944
At January 1, 2019, net of accumulated depreciation	47	1,897	1,944
Additions	17	3	20
Disposal	(5)	—	(5)
Depreciation provided during the period	(10)	(51)	(61)
At March 31, 2019, net of accumulated depreciation	49	1,849	1,898
At March 31, 2019:			
Cost	150	2,405	2,554
Accumulated depreciation	101	556	657
Net carrying amount	49	1,849	1,898

12. TRADE RECEIVABLES

	As at December 31,			As at March 31,
	2016	2017	2018	2019
	US$'000	*US$'000*	*US$'000*	*US$'000*
Trade receivables	8,245	11,459	14,182	11,338
Impairment	(31)	(46)	(66)	(51)
	8,214	11,413	14,116	11,287

The trading terms of Target Business with its debtors are usually 10 to 60 days. The Target Business 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 Target Business 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, 2016, 2017, 2018, and March 31, 2019 based on the invoice date and net of loss allowance, is as follows:

	As at December 31,			As at March 31,
	2016	2017	2018	2019
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within 30 days	4,328	6,043	7,044	5,721
31 to 60 days	2,275	2,391	3,791	3,204
61 to 90 days	953	1,927	2,091	1,378
Over 90 days	658	1,052	1,190	984
	8,214	11,413	14,116	11,287

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

	As at December 31,			As at March 31,
	2016	2017	2018	2019
	US$'000	*US$'000*	*US$'000*	*US$'000*
At beginning of year/period	(22)	(31)	(46)	(66)
Impairment losses, net *(note 6)*	(9)	(15)	(20)	15
At end of year/period	(31)	(46)	(66)	(51)

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 Target Business' trade receivables using a provision matrix:

As at December 31, 2016

		Past due				
	Current	**Less than 30 days**	**30 to 60 days**	**60 to 90 days**	**Over 90 days**	**Total**
Expected credit loss rate	—	1.00%	1.50%	2.00%	2.20%	0.38%
Gross carrying amount (US$'000)	5,876	1,356	575	332	106	8,245
Expected credit losses (US$'000)	—	13	9	7	2	31

As at December 31, 2017

		Past due				
	Current	**Less than 30 days**	**30 to 60 days**	**60 to 90 days**	**Over 90 days**	**Total**
Expected credit loss rate	—	0.90%	1.30%	1.80%	2.00%	0.40%
Gross carrying amount (US$'000)	7,583	2,157	896	583	240	11,459
Expected credit losses (US$'000)	—	19	12	10	5	46

As at December 31, 2018

		Past due				
	Current	**Less than 30 days**	**30 to 60 days**	**60 to 90 days**	**Over 90 days**	**Total**
Expected credit loss rate	—	0.90%	1.20%	1.70%	2.00%	0.47%
Gross carrying amount (US$'000)	8,327	3,478	1,317	651	409	14,182
Expected credit losses (US$'000)	—	31	16	11	8	66

As at March 31, 2019

		Past due				
	Current	**Less than 30 days**	**30 to 60 days**	**60 to 90 days**	**Over 90 days**	**Total**
Expected credit loss rate	—	0.90%	1.20%	1.70%	2.00%	0.45%
Gross carrying amount (US$'000)	7,157	2,197	961	96	927	11,338
Expected credit losses (US$'000)	—	20	11	2	18	51

13. PREPAYMENTS

	As at December 31,			As at March 31,
	2016	2017	2018	2019
	US$'000	*US$'000*	*US$'000*	*US$'000*
Prepayments	672	440	439	601
Deposits and other receivables	99	349	139	139
	771	789	578	740

Deposits and other receivables mainly represent rental deposits and deposits with suppliers. The financial assets included in the above balances relate to deposits and receivables 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 deposits and other receivables. Since the deposits and other receivables are related to receivables which are still in current and the payment is not due, the expected credit loss rates of deposits and other receivables are assessed to be minimal.

14. TRADE PAYABLES

	As at December 31,			As at March 31,
	2016	2017	2018	2019
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within 30 days	5,743	7,948	11,595	8,095

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

15. OTHER PAYABLES AND ACCRUALS

	As at December 31,			As at March 31,
	2016	2017	2018	2019
	US$'000	*US$'000*	*US$'000*	*US$'000*
Accruals	392	622	596	850
Deferred revenue	80	39	19	—
	472	661	615	850

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

16. SHARE OPTION SCHEME OF THE SELLER

The Seller operated a 2008 Equity Incentive Plan (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Target Business' operations. Eligible participants of the Scheme include the Target Business' employees, and they could exercise with prices no less than the fair market value per share on the date of grant. The Scheme became effective in 2008 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Between 2016 and 2018, the Seller amended the Scheme, adjusting the total maximum number of shares of common stock to be issued under the Scheme. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The following share options were outstanding under the Scheme during the Relevant Periods:

	Year ended December 31,					
	2016		2017		2018	
	Weighted average exercise price	**Number of options**	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**	**Number of options**
	US$ per share	*'000*	*US$ per share*	*'000*	*US$ per share*	*'000*
At beginning of the year	0.70	1,410	0.80	1,490	1.16	2,003
Granted during the year	1.98	127	2.07	677	2.30	13
Forfeited during the year	1.32	(26)	1.73	(128)	1.77	(72)
Exercised during the year	0.69	(17)	1.25	(3)	0.70	(65)
Expired during the year	1.23	(4)	1.28	(33)	1.35	(110)
At end of the year	0.80	1,490	1.16	2,003	1.15	1,769

	Three months ended March 31,			
	2018		2019	
	Weighted average exercise price	**Number of options**	**Weighted average exercise price**	**Number of options**
	US$ per share	*'000*	*US$ per share*	*'000*
At beginning of the period	1.16	2,003	1.15	1,769
Granted during the period	—	—	2.30	5
Forfeited during the period	1.24	(3)	—	—
Exercised during the period	0.55	(58)	—	—
Expired during the period	1.26	(77)	2.07	(6)
At end of the period	1.17	1,865	1.15	1,768

The exercise prices and exercise periods of the share options outstanding as at the Relevant Periods are as follows:

As at December 31, 2016

Number of options**	**Exercise price***	**Exercise period**
'000	*US$ per share*	
299	0.08	28-9-2011 to 31-1-2022
241	0.21	16-7-2012 to 12-7-2023
229	0.55	15-4-2013 to 9-1-2024
201	1.223	19-3-2012 to 20-2-2025
397	1.24	7-4-2015 to 5-11-2025
123	1.98	10-11-2015 to 13-12-2026
1,490		

As at December 31, 2017

Number of options**	Exercise price*	Exercise period
'000	*US$ per share*	
299	0.08	28-09-2011 to 31-1-2022
241	0.21	16-7-2012 to 12-7-2023
227	0.55	15-4-2013 to 9-1-2024
167	1.223	19-3-2012 to 20-2-2025
353	1.24	7-4-2015 to 5-11-2025
82	1.98	10-11-2015 to 13-12-2026
634	2.07	7-3-2017 to 19-12-2027
2,003		

As at December 31, 2018

Number of options**	Exercise price*	Exercise period
'000	*US$ per share*	
299	0.08	28-09-2011 to 31-1-2022
241	0.21	16-7-2012 to 12-7-2023
169	0.55	15-4-2013 to 9-1-2024
112	1.223	19-3-2012 to 20-2-2025
291	1.24	7-4-2015 to 5-11-2025
37	1.98	10-11-2015 to 13-12-2026
607	2.07	7-3-2017 to 19-12-2027
13	2.30	1-4-2018 to 15-3-2029
1,769		

As at March 31, 2019

Number of options**	Exercise price*	Exercise period
'000	*US$ per share*	
299	0.08	28-09-2011 to 31-1-2022
241	0.21	16-7-2012 to 12-7-2023
169	0.55	15-4-2013 to 9-1-2024
112	1.223	19-3-2012 to 20-2-2025
291	1.24	7-4-2015 to 5-11-2025
37	1.98	10-11-2015 to 13-12-2026
601	2.07	7-3-2017 to 19-12-2027
18	2.30	1-4-2018 to 15-3-2029
1,768		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Seller's share capital.

** The number of options only contains employees 100% included in Target Business.

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

	Year ended December 31,			Three months ended March 31,	
	2016	2017	2018	2018	2019
Dividend yield (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Expected volatility (%)	52.14%	55.76%	52.78%	52.78%	51.19%
Risk-free interest rate (%)	1.75%	2.28%	2.86%	2.86%	2.57%
Expected life of options (year)	10	10	10	10	10
Weighted average share price (US$ per share)	0.80	1.16	1.15	1.17	1.15

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

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

17. PARENT'S NET INVESTMENT

The amounts of the Target Business' Parent's Net Investment and the movements therein for the Relevant Periods are presented in the statements of changes in Parent's Net Investment.

18. CONTINGENT LIABILITIES

The Target Business had no significant contingent liabilities as at December 31, 2016, 2017 and 2018 and March 31, 2019.

19. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at December 31, 2016, 2017 and 2018 and March 31, 2019 are as follows:

Financial assets — loans and receivables

	As at December 31,			As at March 31,
	2016	2017	2018	2019
	US$'000	*US$'000*	*US$'000*	*US$'000*
Trade receivables	8,214	11,413	14,116	11,287
Financial assets included in prepayments, deposits and other receivables	99	349	139	139
	8,313	11,762	14,255	11,426

Financial liabilities — financial liabilities at amortized cost

	As at December 31,			As at March 31,
	2016	2017	2018	2019
	US$'000	*US$'000*	*US$'000*	*US$'000*
Trade payables	5,743	7,948	11,595	8,095
Amount due to the parent	611	2,496	—	—
Financial liabilities included in other payables and accruals	392	622	596	850
	6,746	11,066	12,191	8,945

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at December 31, 2016, 2017 and 2018, and March 31, 2019, the fair values of the Target Business' financial assets and financial liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Target Business did not have any financial assets and liabilities measured or disclosed at fair value during the Relevant Periods.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Business' principal financial instruments comprise trade receivables and trade payables. The main purpose of these financial instruments is to raise finance for the Target Business' operations. The Target Business has various other financial liabilities such as financial liabilities included in other payables and accruals, which arise directly from its operations.

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

Credit risk

The Target Business trades only with recognized and creditworthy third parties. It is the Target Business' 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 Target Business' exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Target Business does not offer credit terms without the specific approval of the Head of Credit Control.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Target Business' 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, 2016, 2017 and 2018 and March 31, 2019. The amounts presented are gross carrying amounts for financial assets.

As at December 31, 2016

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Trade receivables*	—	—	—	8,214	8,214
Financial assets included in prepayments, deposits and other receivables — Normal**	99	—	—	—	99
	99	—	—	8,214	8,313

As at December 31, 2017

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Trade receivables*	—	—	—	11,413	11,413
Financial assets included in prepayments, deposits and other receivables — Normal**	349	—	—	—	349
	349	—	—	11,413	11,762

As at December 31, 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Trade receivables*	—	—	—	14,116	14,116
Financial assets included in prepayments, deposits and other receivables — Normal**	139	—	—	—	139
	139	—	—	14,116	14,255

As at March 31, 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Trade receivables*	—	—	—	11,287	11,287
Financial assets included in prepayments, deposits and other receivables — Normal**	139	—	—	—	139
	139	—	—	11,287	11,426

* For trade receivables to which the Target Business applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 12 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables 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".

Liquidity risk

The Target Business' objective is to maintain liquidity through the use of parent's net investment and have available funding through operation.

The maturity profile of the Target Business' financial liabilities as at December 31, 2016, 2017 and 2018 and March 31, 2019, based on the contractual undiscounted payments, is as follows:

December 31, 2016

	On Demand	**Within 1 year**	**Over 1 year**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Trade payables	—	5,743	—	5,743
Amount due to the parent	611	—	—	611
Financial liabilities included in other payables and accruals	392	—	—	392
	1,003	5,743	—	6,746

December 31, 2017

	On Demand	Within 1 year	Over 1 year	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Trade payables	—	7,948	—	7,948
Amount due to the parent	2,496	—	—	2,496
Financial liabilities included in other payables and accruals	622	—	—	622
	3,118	7,948	—	11,066

December 31, 2018

	On Demand	Within 1 year	Over 1 year	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Trade payables	—	11,595	—	11,595
Financial liabilities included in other payables and accruals	596	—	—	596
	596	11,595	—	12,191

March 31, 2019

	On Demand	Within 1 year	Over 1 year	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Trade payables	—	8,095	—	8,095
Financial liabilities included in other payables and accruals	850	—	—	850
	850	8,095	—	8,945

23. EVENTS AFTER REPORTING PERIOD

On July 19, 2019 (Hong Kong Time), Vobile, Inc., a wholly owned subsidiary of the Company and ZEFR, Inc. (the "**Seller**") entered in to the Assets Purchase Agreement pursuant to which, the Seller has conditionally agreed to sell and Vobile Inc. has conditionally agreed to purchase the Target Business at a cash consideration of US$50,000,000 and a contingent consideration of US$40,000,000.

24. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Business in respect of any period subsequent to March 31, 2019.

The following management discussion and analysis should be read in conjunction with accountants' report of the Target Business for the Track Record Period as set out in Appendix II to this circular.

BUSINESS REVIEW

The Target Business represents all the Purchased Assets and businesses of a segment of the Seller, which is principally engaged in digital media rights management and monetization business through the sale of its products, primarily the RightsID Product and the ChannelID Product. The RightsID Product provides semantic search technology and operational processes for rights management and monetization of rights owned content found on video and social media platforms. The ChannelID Product provides services for channel management and content publishing on content rights owner official viewing channels on YouTube.

RightsID Product

The RightsID Product works on behalf of content owners on the largest video and social media platforms, including YouTube, Facebook, Instagram and SoundCloud. It offers a comprehensive rights management system that identifies, prioritizes and monetizes video for the leading media companies, taking into account the vast ownership and business rule complexities that these enterprise organizations face daily. The innovative platform of the RightsID Product enables content owners to effectively control their content, including more fully monetizing their content and unlocking significant incremental revenue to maximize the value of their intellectual property. Currently, the Target Business is the only independent rights management provider that operates in collaboration and compliance with YouTube, Facebook, Instagram and SoundCloud.

ChannelID Product

The ChannelID Product is the leader in YouTube channel management for media companies, rights holders and brands. Customers of the ChannelID Product use its offering to manage their official branded viewing channels on YouTube. Aside from overseeing a customer's YouTube channel, the ChannelID Product also includes data analysis and optimization strategies that expand reach for the channel and better connects fans of the content. The ChannelID Product is utilized by some of the highest quality and largest media companies and consumer brands.

Financial and Trading Prospects

Please refer to the section headed "Financial and trading prospects of the Enlarged Group" in the Letter from the Board for discussion of financial and trading prospects of the Enlarged Group.

FINANCIAL REVIEW

Revenue

Revenue of the Target Business is mainly generated from providing digital media rights management and monetization services through the sale of its products, primarily through the RightsID Product and the ChannelID Product.

The increase in revenue of the Target Business from US$25.1 million in 2016 to US$29.8 million in 2017, and further to US$40.5 million in 2018, and from US$8.0 million for the three months ended March 31, 2018 to US$8.8 million in March 31, 2019 was mainly attributed by the increase of contents from content owners which were monetized by the Target Business.

Cost of services provided and gross profit margin

Cost of services provided mainly represented revenue shared to partners in respect of the RightsID Product offerings, hosting and storage fee and costs incurred by the operation department of the Target Business.

The increase in cost of services provided of the Target Business from US$15.6 million in 2016 to US$19.7 million in 2017, and further to US$25.8 million in 2018 was in line with the increase of revenue.

The decrease in cost of services provided from US$5.3 million for the three months ended March 31, 2018 to US$5.2 million in March 31, 2019 was mainly attributed by increase of efficiency of the operation department of the Target Business.

The decrease in gross profit margin from 37.9% in 2016 to 33.9% in 2017 was mainly due to the increase in proportion of revenue shared to partners. The increase of gross profit margin from 33.9% in 2017 to 36.4% in 2018 and from 33.9% for the three months ended March 31, 2018 to 40.9% for the three months ended March 31, 2019 was mainly attributed by economies of scale as the costs incurred by operation department remained stable as a result of the increasing operation efficiency, despite the increase in revenue.

Selling and marketing expenses

Selling and marketing expenses mainly represented staff costs, travel and entertainment expenses and marketing expenses. The increase in selling and marketing expenses from US$2.6 million in 2016 to US$3.4 million in 2017, and further to US$4.0 million, and from US$0.9 million for the three months ended March 31, 2018 to US$1.0 million for the three months ended March 31, 2019 was mainly due to the implementation of sales and marketing initiatives to expand the Target Business' customer base.

Administrative expenses

Administrative expenses mainly represented staff costs, rental expenses and other administrative expenses. The increase in administrative expenses from US$2.8 million in 2016 to US$3.2 million in 2017, and further to US$3.6 million in 2018, and from US$1.0 million for the three months ended March 31, 2018 to US$1.2 million for the three months ended March 31, 2019 was mainly due to increase of headcount and rental expenses allocated to the Target Business.

Research and development expenses

Research and development expenses mainly represented staff costs, computer and web expenses. Decrease in research and development expenses from US$4.7 million in 2016 to US$3.8 million in 2017, and further to US$2.5 million was mainly due to improvement of efficiency of the Target Business' research and development function. Research and development expenses remained stable at US$0.7 million for the three months ended March 31, 2018 and 2019.

Trade receivables

The increase in trade receivables from US$8.2 million as at December 31, 2016 to US$11.4 million as at December 31, 2017, and further to US$14.1 million as at December 31, 2018 was consistent with the increase in revenue. The decrease in trade receivables from US$14.1 million as at December 31, 2018 to US$11.3 million as at March 31, 2019 was mainly due to seasonality of revenue of the Target Business which typically reaches its peak in the fourth quarter of each year, which was due to higher advertising spending by advertiser in the fourth quarter of each year.

Trade payables

The increase in trade payables from US$5.7 million as at December 31, 2016 to US$7.9 million as at December 31, 2017, and further to US$11.6 million as at December 31, 2018 was consistent with the increase in revenue. The decrease of trade payables from US$11.6 million as at December 31, 2018 to US$8.1 million as at March 31, 2019 was mainly due to seasonality of revenue shared to partners which typically reaches its peak in the fourth quarter of each year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at December 31, 2016, 2017, 2018 and March 31, 2019, the total assets of the Target Business amounted to US$9.2 million, US$14.0 million, US$16.6 million and US$13.9 million, respectively.

As at December 31, 2016, 2017, 2018 and March 31, 2019, the Target Business did not have any non-current liabilities, the total liabilities of the Target Business amounted to US$6.8 million US$11.1 million, US$12.2 million and US$8.9 million, respectively.

The net cash used in operating activities for 2016 and 2017 were US$0.6 million and US$0.5 million, respectively. The net cash flows from operating activities for 2018 and the three months ended March 31, 2018 and 2019 were US$6.3 million, US$1.0 million and US$0.3 million, respectively. The increase in net cash flows from operating activities in 2018 was mainly due to the increase in revenue and gross profit attributed by the increase of contents from content owners which were monetized by the Target Business.

The Target Business did not have any cash or cash equivalents as at the end of each of the Track Record Period. The Target Business had no borrowings nor committed borrowing facilities as at the end of each of the Track Record Period and the gearing ratio (calculated as total borrowings divided by parent's net investment) of the Target Business as at the end of each of the Track Record Period were therefore zero.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Target Business as at December 31, 2016, 2017 and 2018 and March 31, 2019 was 174, 158, 129 and 103, respectively. The total staff costs for the years ended December 31, 2016, 2017 and 2018 and three months ended March 31, 2018 and 2019 were approximately US$12.9 million, US$13.9 million, US$12.2 million, US$3.1 million and US$3.2 million, respectively. The remuneration of employees included salaries, bonus, commissions, equity-settled share option expenses and other staff benefits. The Target Business' remuneration policies are formulated on the basis of performance, qualifications and experience of individual employees and make reference to the prevailing market conditions.

CHARGES ON ASSETS

The Target Business did not have any charge arranged with any financial institution as at the end of the each of the Track Record Period.

FOREIGN EXCHANGE EXPOSURE

The revenue and cost of services provided of the Target Business were principally denominated in USD, and as such the exposure to the risk of foreign exchange rate fluctuations for the Target Business was low as the functional and presentation currencies of the Target Business are both USD. As a result, no hedging instrument was employed by the Target Business.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

The Target Business did not conduct any significant investments, material acquisitions or disposals during the Track Record Period.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

There were no material contingent liabilities or capital commitments for the Target Business as at December 31, 2016, 2017, 2018 and March 31, 2019.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The unaudited pro forma financial information of the Enlarged Group (the "**Unaudited Pro Forma Information**") has been prepared by directors of the Company (the "**Directors**") in accordance with rule 14.69 of the Listing Rules, for illustrative purpose only, to provide information about how the proposed acquisition of the Digital Media Rights Management and Monetization business (the "**Target Business**") from ZEFR, Inc. (the "**Seller**") (the "**Proposed Acquisition**") might have affected the results of operations, financial position and cash flows of the Group as if the Proposed Acquisition had been completed on (i) January 1, 2018 in respect of the unaudited pro forma statement of profit or loss and the unaudited pro forma statement of cash flows of the Enlarged Group; and (ii) December 31, 2018 in respect of the unaudited pro forma statement of financial position of the Enlarged Group.

The unaudited pro forma statement of financial position of the Enlarged Group has been prepared based on: (i) the consolidated statement of financial position of the Group as at December 31, 2018, which was extracted from the published annual report of the Company for the year ended December 31, 2018; and (ii) the statement of financial position of the Target Business as at March 31, 2019, which was extracted from the accountants' report thereon set out in Appendix II to this circular, and adjusted on a pro forma basis to reflect the effect of the Proposed Acquisition as explained in the accompanying notes that are directly attributable to the Proposed Acquisition and not relating to future events or decisions, and are factually supportable.

The unaudited pro forma statement of profit or loss and the unaudited pro forma statement of cash flows of the Enlarged Group are prepared based on: (i) the consolidated statement of profit or loss and the consolidated statement of cash flows of the Group for the year ended December 31, 2018, which were extracted from the published annual report of the Company for the year ended December 31, 2018; and (ii) the statement of profit or loss and the statement of cash flows of the Target Business for the year ended December 31, 2018, which were extracted from the accountants' report thereon set out in Appendix II to this circular, and adjusted on a pro forma basis to reflect the effect of the Proposed Acquisition as explained in the accompanying notes that are directly attributable to the Proposed Acquisition and not relating to future events or decisions, and are factually supportable.

Pursuant to an assets purchase agreement (the "**APA**") entered into by the Company and the Seller on July 19, 2019 (Hong Kong Time), the Company conditionally agreed to acquire the Target Business for 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 Target Business for the one-year period subsequent to the fifth Business Day after satisfaction or waiver (if applicable) of all conditions to the obligations of the parties set forth in the APA, and the high end and low end of the earn-out amounts are US$40,000,000 and nil, respectively. For the sole purpose of this Unaudited Pro Forma Financial Information, the Directors assumed two scenarios as below:

High end earn-out-amount: the Target Business' revenue and EBITDA for the one year period after the Closing are greater than US$40,000,000 and US$10,000,000, respectively.

Low end earn-out amount: the Target Business' revenue and EBITDA for the one year period after the Closing are less than US$32,000,000 and US$8,000,000, respectively.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Unaudited Pro Forma Financial Information, it may not give a true picture of the actual results of operations, financial position or cash flows of the Enlarged Group that would have been attained had the Proposed Acquisition been completed on the dates indicated herein. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Enlarged Group's future results of operations, financial position or cash flows.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group as set out in the published annual report of the Company for the year ended December 31, 2018, and that of the Target Business, as set out in Appendix II to this circular, and other financial information included elsewhere in this circular.

I. Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

High end earn-out amount: assuming the earn-out amount will be paid to the Seller at high end.

	Audited consolidated statement of financial position of the Group as at December 31, 2018	**Audited statement of financial position of the Target Business as at March 31, 2019**	**Unaudited Pro Forma Adjustments**				**Unaudited pro forma consolidated statement of financial position of the Enlarged Group**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	Note 1	*Note 2(a)*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	
NON-CURRENT ASSETS							
Property, plant and equipment	598	1,898	(1,849)				647
Intangible assets	5,340	—			3,726		9,066
Goodwill	13,622	—			86,225		99,847
Deferred tax assets	2,376	—				1,293	3,669
Prepayments	167	—					167
Total non-current assets	22,103	1,898					113,396
CURRENT ASSETS							
Trade receivables	8,156	11,287	(11,287)				8,156
Cash and cash equivalents	17,641	—		53,900	(50,000)	(4,500)	17,041
Prepayments, deposits and other receivables	2,556	740	(740)				2,556
Tax recoverable	380	—					380
Total current assets	28,733	12,027					28,133
CURRENT LIABILITIES							
Trade payables	2,618	8,095	(8,095)				2,618
Other payables and accruals	4,385	850	(850)		40,000		44,385
Total current liabilities	7,003	8,945					47,003
NET CURRENT ASSETS	21,730	3,082					(18,870)
TOTAL ASSETS LESS CURRENT LIABILITIES	43,833	4,980					94,526
NON-CURRENT LIABILITIES							
Interest-bearing borrowings	—	—		53,900			53,900
Net assets	43,833	4,980					40,626
EQUITY							
Share capital	42	—					42
Reserves	43,791	—				(3,207)	40,584
Parent's Net Investment	—	4,980	(4,931)		(49)		—
Total equity	43,833	4,980					40,626

II. Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Enlarged Group

High end earn-out amount: assuming the earn-out amount will be paid to the Seller at high end.

	Audited consolidated statement of comprehensive income of the Group for the year ended December 31, 2018	Audited statement of comprehensive income of the Target Business for the year ended December 31, 2018	Unaudited Pro Forma Adjustments			Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	Note 1	*Note 2(b)*	*Note 4*	*Note 6*	*Note 7*	
REVENUE	15,225	40,498				55,723
Cost of sales	(3,001)	(25,750)				(28,751)
Gross profit	12,224	14,748				26,972
Other income and gains	262	—				262
Selling and marketing expenses	(5,687)	(3,960)				(9,647)
Administrative expenses	(7,563)	(3,611)		(4,500)	(745)	(16,419)
Research and development expenses	(1,577)	(2,492)				(4,069)
Finance costs	—	—	(5,682)			(5,682)
Other expenses	(183)	(225)				(408)
(LOSS)/PROFIT BEFORE TAX	(2,524)	4,460				(8,991)
Income tax credit/(expense)	22	(1,282)	1,573	1,293		1,606
(LOSS)/PROFIT FOR THE YEAR	(2,502)	3,178				(7,385)
Exchange differences on translation of foreign operations	(565)	—				(565)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(565)	—				(565)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	(3,067)	3,178				(7,950)

III. Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group

High end earn-out amount: assuming the earn-out amount will be paid to the Seller at high end.

	Audited consolidated statement of cash flows of the Group for the year ended December 31, 2018	Audited statement of cash flows of the Target Business for the year ended December 31, 2018	Unaudited Pro Forma Adjustments				Unaudited pro forma consolidated statement of cash flows of the Enlarged Group
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	Note 1	*Note 2(b)*	*Note 4*	*Note 5*	*Note 6*	*Note 7*	
CASH FLOWS FROM OPERATING ACTIVITIES							
(Loss)/profit before tax	(2,524)	4,460	(5,682)		(4,500)	(745)	(8,991)
Adjustments for:							
Finance costs	—	—	5,682				5,682
Interest income	(224)	—					(224)
Depreciation	262	222				745	1,229
Impairment of trade receivables	—	20					20
Equity-settled share option expense	238	473					711
	(2,248)	5,175					(1,573)
Increase in trade receivables	(2,024)	(2,723)					(4,747)
Decrease in prepayments	256	1					257
Decrease in deposits and other receivables	(383)	210					(173)
Increase in trade payables	916	3,647					4,563
Increase in other payables	173	—					173
Decrease in accruals, deferred revenue and other accruals	(1,043)	(46)					(1,089)
Cash (used in)/generated from operating activities	(4,353)	6,264					(2,589)
Interest received	224	—					224
Overseas taxes paid	(149)	—					(149)
Net cash flows (used in)/from operating activities	(4,278)	6,264					(2,514)
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of items of property, plant and equipment	(446)	(382)					(828)
Purchases of items of intangible assets	(5,327)	—					(5,327)
Acquisition of a business	(5,000)	—		(50,000)			(55,000)
Net cash flows used in investing activities	(10,773)	(382)					(61,155)

	Audited consolidated statement of cash flows of the Group for the year ended December 31, 2018	Audited statement of cash flows of the Target Business for the year ended December 31, 2018	Unaudited Pro Forma Adjustments				Unaudited pro forma consolidated statement of cash flows of the Enlarged Group
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	Note 1	*Note 2(b)*	*Note 4*	*Note 5*	*Note 6*	*Note 7*	
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from issue of shares	27,226	—					27,226
New bank loans	—	—	53,900				53,900
Interest paid	—	—	(5,682)				(5,682)
Deemed distribution to Parent's Net Investment	—	(5,882)					(5,882)
Net cash flows from/(used in) financing activities	27,226	(5,882)					69,562
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,175	—					5,893
Cash and cash equivalents at beginning of year	6,031	—					6,031
Effect of foreign exchange rate changes, net	(565)	—					(565)
CASH AND CASH EQUIVALENTS AT END OF YEAR	17,641	—					11,359

I. Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

Low end earn-out amount: assuming the earn-out amount will be paid to the Seller at low end.

	Audited consolidated statement of financial position of the Group as at December 31, 2018	Audited statement of financial position of the Target Business as at March 31, 2019	Unaudited Pro Forma Adjustments				Unaudited pro forma consolidated statement of financial position of the Enlarged Group
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	Note 1	*Note 2(a)*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	
NON-CURRENT ASSETS							
Property, plant and equipment	598	1,898	(1,849)				647
Intangible assets	5,340	—			3,726		9,066
Goodwill	13,622	—			46,225		59,847
Deferred tax assets	2,376	—				1,293	3,669
Prepayments	167	—					167
Total non-current assets	22,103	1,898					73,396
CURRENT ASSETS							
Trade receivables	8,156	11,287	(11,287)				8,156
Cash and cash equivalents	17,641	—		53,900	(50,000)	(4,500)	17,041
Prepayments, deposits and other receivables	2,556	740	(740)				2,556
Tax recoverable	380	—					380
Total current assets	28,733	12,027					28,133
CURRENT LIABILITIES							
Trade payables	2,618	8,095	(8,095)				2,618
Other payables and accruals	4,385	850	(850)				4,385
Total current liabilities	7,003	8,945					7,003
NET CURRENT ASSETS	21,730	3,082					21,130
TOTAL ASSETS LESS CURRENT LIABILITIES	43,833	4,980					94,526
NON-CURRENT LIABILITIES							
Interest-bearing borrowings	—	—		53,900			53,900
Net assets	43,833	4,980					40,626
EQUITY							
Share capital	42	—					42
Reserves	43,791	—				(3,207)	40,584
Parent's Net Investment	—	4,980	(4,931)		(49)		—
Total equity	43,833	4,980					40,626

II. Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Enlarged Group

Low end earn-out amount: assuming the earn-out amount will be paid to the Seller at low end.

	Audited consolidated statement of comprehensive income of the Group for the year ended December 31, 2018	Audited statement of comprehensive income of the Target Business for the year ended December 31, 2018	Unaudited Pro Forma Adjustments			Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	Note 1	*Note 2(b)*	*Note 4*	*Note 6*	*Note 7*	
REVENUE	15,225	40,498				55,723
Cost of sales	(3,001)	(25,750)				(28,751)
Gross profit	12,224	14,748				26,972
Other income and gains	262	—				262
Selling and marketing expenses	(5,687)	(3,960)				(9,647)
Administrative expenses	(7,563)	(3,611)		(4,500)	(745)	(16,419)
Research and development expenses	(1,577)	(2,492)				(4,069)
Finance costs	—	—	(5,682)			(5,682)
Other expenses	(183)	(225)				(408)
(LOSS)/PROFIT BEFORE TAX	(2,524)	4,460				(8,991)
Income tax credit/(expense)	22	(1,282)	1,573	1,293		1,606
(LOSS)/PROFIT FOR THE YEAR	(2,502)	3,178				(7,385)
Exchange differences on translation of foreign operations	(565)	—				(565)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	(565)	—				(565)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	(3,067)	3,178				(7,950)

III. Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group

Low end earn-out amount: assuming the earn-out amount will be paid to the Seller at low end.

	Audited consolidated statement of cash flows of the Group for the year ended December 31, 2018	Audited statement of cash flows of the Target Business for the year ended December 31, 2018	Unaudited Pro Forma Adjustments				Unaudited pro forma consolidated statement of cash flows of the Enlarged Group
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	Note 1	*Note 2(b)*	*Note 4*	*Note 5*	*Note 6*	*Note 7*	
CASH FLOWS FROM OPERATING ACTIVITIES							
(Loss)/profit before tax	(2,524)	4,460	(5,682)		(4,500)	(745)	(8,991)
Adjustments for:							
Finance costs	—	—	5,682				5,682
Interest income	(224)	—					(224)
Depreciation	262	222				745	1,229
Impairment of trade receivables	—	20					20
Equity-settled share option expense	238	473					711
	(2,248)	5,175					(1,573)
Increase in trade receivables	(2,024)	(2,723)					(4,747)
Decrease in prepayments	256	1					257
Decrease in deposits and other receivables	(383)	210					(173)
Increase in trade payables	916	3,647					4,563
Increase in other payables	173	—					173
Decrease in accruals, deferred revenue and other accruals	(1,043)	(46)					(1,089)
Cash (used in)/generated from operating activities	(4,353)	6,264					(2,589)
Interest received	224	—					224
Overseas taxes paid	(149)	—					(149)
Net cash flows (used in)/from operating activities	(4,278)	6,264					(2,514)
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of items of property, plant and equipment	(446)	(382)					(828)
Purchases of items of intangible assets	(5,327)	—					(5,327)
Acquisition of a business	(5,000)	—		(50,000)			(55,000)
Net cash flows used in investing activities	(10,773)	(382)					(61,155)

	Audited consolidated statement of cash flows of the Group for the year ended December 31, 2018	Audited statement of cash flows of the Target Business for the year ended December 31, 2018	Unaudited Pro Forma Adjustments				Unaudited pro forma consolidated statement of cash flows of the Enlarged Group
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	Note 1	*Note 2(b)*	*Note 4*	*Note 5*	*Note 6*	*Note 7*	
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from issue of shares	27,226	—					27,226
New bank loans	—	—	53,900				53,900
Interest paid	—	—	(5,682)				(5,682)
Deemed contribution/(distribution) to Parent's Net Investment	—	(5,882)					(5,882)
Net cash flows from/(used in) financing activities	27,226	(5,882)					69,562
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,175	—					5,893
Cash and cash equivalent at beginning of year	6,031	—					6,031
Effect of foreign exchange rate changes, net	(565)	—					(565)
CASH AND CASH EQUIVALENTS AT END OF YEAR	17,641	—					11,359

Notes:

1. The audited consolidated statement of financial position of the Group as at December 31, 2018, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended December 31, 2018 are extracted from the published annual report of the Group for the year ended December 31, 2018.

2. (a) The statement of financial position of the Target Business as at March 31, 2019 was extracted from the accountants' report of the Target Business as set out in Appendix II to this circular.

   (b) The statement of comprehensive income and the statement of cash flows of the Target Business for the year ended December 31, 2018 were extracted from the accountants' report of the Target Business as set out in Appendix II to this circular.

3. The adjustment represents the exclusion of certain assets and liabilities of the Target Business, trade receivables, prepayments, trade payables, other payables and accruals which will not be transferred to the Enlarged Group upon completion.

4. As at the Latest Practicable Date, the Company is contemplating a five-year term loan with principal amount of US$55 million subject to the final approval from the relevant financial institution to finance the Proposed Acquisition which bear interest equal to LIBOR plus 8% per annum. The grant of the above credit facility is conditional on the completion of the Proposed Acquisition and final approval from the relevant financial institution.

The estimated transaction costs of US$1,100,000 are recognized initially as part of the respective loan liabilities. Subsequent to initial recognition, the loan liabilities are stated at amortized cost using the effective interest method.

5. Under International Financial Reporting Standard 3 "Business Combination" issued by the International Accounting Standards Board (the "**IASB**"), the Group will apply the purchase method to account for the Proposed Acquisition of the Target Business in the consolidated financial statements of the Group. The goodwill arising from the Proposed Acquisition is calculated as follows:

	Fair value recognized on acquisition High end earn-out-amount *US$'000*	**Fair value recognized on acquisition Low end earn-out-amount** *US$'000*
Consideration transferred:		
Cash consideration	50,000	50,000
Contingent consideration *(note a)*	40,000	—
Total consideration	90,000	50,000
Intangible asset — technology	3,726	3,726
Property, plant and equipment	49	49
Total fair value of identifiable net assets *(note b)*	3,775	3,775
Goodwill arising on acquisition *(note c)*	86,225	46,225

The pro forma fair value of the identifiable assets, goodwill and intangible assets in relation to the Proposed Acquisition are subject to change upon the completion of purchase price allocation at the completion date of the Proposed Acquisition, which may be substantially different from their estimated amounts used in the preparation of this Unaudited Pro Forma Financial Information.

a. According to the APA, a contingent consideration will be paid based on the revenue and EBITDA status of the Target Business. The contingent consideration is accounted as "financial liability at fair value through profit or loss".

b. The fair value of the identifiable assets is composed of net assets of the Target Business as at March 31, 2019, which included property, plant and equipment and intangible assets. The property, plant and equipment consisted of computer equipment only. The Directors identified the technology as the sole identifiable intangible asset, arising from the business combination. The fair value of identifiable assets of the Target Business as at March 31, 2019 was appraised by Brilliant Appraisal Limited. With reference to the valuation report, the Directors estimate that: (i) the value of technology is US$3,726,000 which is based on relief from royalty method; and (ii) the property, plant and equipment of US$49,000 is based on net book value.

The relief from royalty method is a commonly adopted valuation method to value technology that are considered as one of the core competence of business and contribute to cash flows in combination with other assets in a group. It is based on the concept that the technology holder that owns the technology licences it to a third party user. Given the relatively low value items involved with the computer equipment, the net book value was adopted as a reasonable proxy to the fair value.

The technology represents the patented technologies developed by the Target Business in providing software as a service for the digital media rights management and monetization business.

The key assumptions used in estimating the fair values of the intangible assets are as follows:

— Project revenue growth rate from 10.0% to 15.0% with reference to the historical performance in the past and the expected returns related to the specific customers; and

— Discount rate of 13% is used with reference to the current market data for comparable companies in the relevant industry.

The fair value of the identifiable net assets will be reassessed on the completion date of the Proposed Acquisition and may be subject to change.

c. For the purpose of the Unaudited Pro Forma Financial Information, the Group has ensured the steps taken on the assessment of goodwill have been properly performed in accordance with International Accounting Standard 36 "Impairment of Assets". On that basis, the Group concluded that no impairment of goodwill is necessary. The Group discussed with the reporting accountants on the impairment assessment of goodwill and intangible assets. The Group will adopt consistent accounting policies for goodwill and intangible assets impairment test in future.

6. This represents the recognition of estimated transaction costs of approximately US$4,500,000, which is payable by the Company in connection with the Proposed Acquisition at the completion date.

7. This represents the additional amortization of US$745,000 arising from the straight line amortization over the estimated useful life of the technology as if the Proposed Acquisition had been completed on January 1, 2018.

8. Apart from the Proposed Acquisition, no other adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group and the Target Business entered into subsequent to December 31, 2018 and March 31, 2019, respectively for the unaudited pro forma consolidated statement of financial position and December 31, 2018 for the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Vobile Group Limited

We have completed our assurance engagement to report on the compilation of unaudited Pro Forma Financial Information of Vobile Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and the digital media rights management and monetization business (the "Target Business") of ZEFR, Inc. (the "Seller") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at December 31, 2018, the unaudited pro forma consolidated statement of comprehensive income for the year ended December 31, 2018, the unaudited pro forma consolidated statement of cash flows for the year ended December 31, 2018 and related notes (the "Unaudited Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix IV to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact on the Group's financial position as at December 31, 2018, and the Group's financial performance and cash flows for the year ended December 31, 2018 as if the transaction had taken place at December 31, 2018 and January 1, 2018 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's financial statements for the year ended December 31, 2018, on which an accountants' report has been published.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Unaudited Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Unaudited Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the Financial Information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

September 30, 2019

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorized and issued share capital of the Company (i) as at the Latest Practicable Date were, and (ii) immediately following completion of the issuance of the Earn-out Shares will be, as follows:

As at the Latest Practicable Date

	US$
Authorized:	
8,000,000,000 Shares of a nominal value of US$0.0001 each	800,000
Issued and fully paid:	
424,874,536 Shares of a nominal value of US$0.0001 each	42,487.4536

Immediately following completion of the issuance of the Earn-out Shares (assuming the maximum number of 121,175,194 Earn-Out Shares were issued)

	US$
Authorized:	
8,000,000,000 Shares of a nominal value of US$0.0001 each	800,000
Issued and fully paid:	
546,049,730 Shares of a nominal value of US$0.0001 each	54,604.9730

3. DISCLOSURE OF INTERESTS

(A) Directors and chief executives' interests and short positions in shares and underlying shares of the Company and its associated corporations

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

Name of Directors	Capacity	Number of shares held(1)	Percentage of the issued share capital(1)(%)
Mr. Wang(2)	Beneficial owner; trustee of a trust; beneficiary of a trust	74,190,480	17.46
Mr. Witte(3)	Beneficial owner	1,600,000	0.38
Mr. Altman(4)	Beneficial owner	19,480,952	4.59
Mr. Wargo(5)	Beneficial owner	20,015,339	4.71
Mr. Wong(6)	Beneficial owner	600,000	0.14
Mr. Chiddix(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 of the YBW Trust. Mr. Wang is interested in 52,190,480 Shares held by him in his capacity as trustee of the JYW Trust, 14,000,000 Shares in his capacity as trustee of the YBW Trust and 8,000,000 Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme.

(3) Mr. Witte 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 held by him in his personal capacity and 17,180,952 Shares held by him in his capacity as trustee of Altman Family Trust UDT dated January 28, 1998.

(5) Mr. Wargo is interested in 20,015,339 Shares beneficially owned by him.

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

(B) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

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

Name of shareholder	Nature of interest	Number of shares held(1)	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	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	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	29,648,889 (L)	6.98
Steamboat Ventures Manager II, LLC(4)	Interest in a controlled corporation	29,738,484 (L)	6.99
John BALL(4)	Interest in a controlled corporation	29,738,484 (L)	6.99

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

Save as disclosed above, as of the Latest Practicable Date, 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.

4. DIRECTORS SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

As at the Latest Practicable Date, 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. Apart from the service agreement abovementioned, none of the Directors had any existing or is proposed to have a service contract with the Company or any of its associated corporations which will not expire or is not determinable by the Company within one year without payment of compensation other than statutory compensation.

5. DIRECTORS' AND SUPERVISORS' INTEREST IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, save as disclosed in this circular:

(a) none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2018 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or are proposed to be acquired, disposed of by, or leased to any member of the Enlarged Group; and

(b) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group.

6. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors were aware of, none of the Directors nor their respective associates had any interest in any business which competes or is likely to compete, or is in conflict or is likely to be in conflict, either directly or indirectly, with the businesses of Enlarged Group.

7. DIRECTORSHIP AND EMPLOYMENT OF DIRECTORS AND CHIEF EXECUTIVE IN SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As of the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

8. MATERIAL LITIGATION

As of the Latest Practicable Date, none of the members of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

9. SUMMARY OF MATERIAL CONTRACT

Save for the Asset Purchase Agreement, the Enlarged Group has not entered into any material contract (not being contracts entered into in the ordinary course of business of the Enlarged Group) within the two years immediately preceding the date of this circular:

10. QUALIFICATIONS OF EXPERT AND CONSENT

The qualification of the expert who has given an opinion or advice in this circular is as follows:

Name	Qualification
Ernst & Young	Certified Public Accountants

As of the Latest Practicable Date, the above expert has given and have not withdrawn its written consent to the issue of this circular with the inclusion of its report(s) and/or letter(s) and/or valuation certificates and/or opinion(s) and the references to its name included herein in the form and context in which it is respectively included.

As at the Latest Practicable Date, the above expert did not have any direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any direct or indirect interests in any assets which have been, since December 31, 2018 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

11. MISCELLANEOUS

(1) The company secretary of the Company is Mr. Ho Sai Hong Vincent. Mr. Ho has been a member of the Hong Kong Institute of Certified Public Accountants since February 2012.

(2) The registered office of the Company is located at P.O. Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands.

(3) The headquarters and principal place of business of the Company in the US is at 2880 Lakeside Drive, Suite 360, Santa Clara, CA 95054, United States. The principal place of business in Hong Kong of the Company is at Suite 3712, 37/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

(4) The branch share registrar of the Company in Hong Kong is Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(5) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

12. FORWARD-LOOKING STATEMENT

This circular contains statements that are forward-looking and uses words typically used for forward-looking statements such as "will", "expect", "estimate", "anticipate", "plan", "believe", "may", "intend", "ought to", "continue", "project", "should", "seek", "potential" and other similar terms. Reliance on any forward-looking statements involves risks and uncertainties in this regard, including those identified in the risk factors discussed above. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this circular should not be regarded as representations by the Board that the Company's plans and objectives will be achieved.

13. DOCUMENTS AVAILABLE FOR PUBLIC INSPECTION

Copies of the following documents are available for inspection during normal business hours (i.e., from 9:30 a.m. to 5:00 p.m. on Monday to Friday) on any business day in Hong Kong at the principal place of business in Hong Kong of the Company at Suite 3712, 37/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong from the date of this circular up to and including the date of the EGM:

(1) the memorandum and articles of association of the Company;

(2) the Prospectus;

(3) the annual report of the Company for the years ended December 31, 2017 and 2018;

(4) the accountants' report of the Purchased Assets from Ernst & Young, the text of which is set out in Appendix II in this circular;

(5) the report on the unaudited pro forma financial information of the Enlarged Group from Ernst & Young, the text of which is set out in Appendix IV in this circular;

(6) a copy of the material contract set out in the section headed "Summary of Material Contract" in Appendix V in this circular;

(7) the written consent referred to in the section headed "Qualification of Expert and Consent" in Appendix V to this circular;

(8) the Asset Purchase Agreement; and

(9) a copy of this circular.

Vobile Group Limited
阜博集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3738)

Notice is hereby given that an extraordinary general meeting (the "**EGM**") of Vobile Group Limited (the "**Company**") will be held at 3 p.m. on Monday, October 28, 2019 at Room 1, United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company. Unless otherwise defined, capitalized terms used in this notice shall have the same meanings as those defined in the circular of the Company dated September 30, 2019 (the "**Circular**").

ORDINARY RESOLUTION

1. "**THAT**

   (a) the Asset Purchase Agreement entered into on July 19, 2019 (Hong Kong Time) in respect of the Proposed Acquisition (for details, please refer to the Circular), be and is hereby approved, confirmed and ratified;

   (b) the grant of a specific mandate for the allotment and issue of a maximum number of 121,175,194 Earn-Out Shares subject to the terms and conditions set out in the Circular be and is hereby approved, confirmed and ratified; and

   (c) any Director of the Company be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated under the Asset Purchase Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon."

For and on behalf of the Board
Vobile Group Limited
Yangbin Bernard WANG
Chairman, Executive Director and
Chief Executive Officer

Hong Kong, September 30, 2019

Notes:

1. The resolution at the meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Listing Rules. The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

2. Any Shareholder entitled to attend and vote at the above meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A Shareholder who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the above meeting of the Company. A proxy need not be a Shareholder.

3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting (i.e. not later than 3 p.m. on Saturday, October 26, 2019 or any adjournment thereof). Delivery of the form of proxy shall not preclude a Shareholder from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. For determining the qualification as Shareholder to attend and vote at the above meeting, the register of members of the Company will be closed from Wednesday, October 23, 2019 to Monday, October 28, 2019, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify as Shareholders to attend and vote at the EGM, investors are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, October 22, 2019.

As at the date of this notice, the Board comprises Mr. Yangbin Bernard WANG, and Mr. Michael Paul WITTE as executive Directors; Mr. Vernon Edward ALTMAN, Mr. J David WARGO and Mr. WONG Wai Kwan as non-executive Directors; and Mr. CHAN King Man Kevin, Mr. James Alan CHIDDIX and Mr. Charles Eric EESLEY as independent non-executive Directors.